

**U.S. Patent and Trademark Office**  
**Fiscal Year 2001 Corporate Plan**  
Submission of the President

TABLE OF CONTENTS

<b>BUDGET-AT-A-GLANCE.....</b>	<b>PAGE 1</b>
EXHIBIT 5: SUMMARY OF RESOURCE REQUIREMENTS.....	PAGE 10
EXHIBIT 7: SUMMARY OF FINANCING.....	PAGE 12
<b>EXECUTIVE SUMMARY.....</b>	<b>PAGE 13</b>
<b>PATENT BUSINESS.....</b>	<b>PAGE 23</b>
<b>TRADEMARK BUSINESS.....</b>	<b>PAGE 42</b>
<b>INFORMATION DISSEMINATION BUSINESS .....</b>	<b>PAGE 56</b>
<b>POLICY FUNCTION.....</b>	<b>PAGE 66</b>
<b>CORPORATE SUPPORT.....</b>	<b>PAGE 72</b>
<b>APPENDICES.....</b>	<b>PAGE 80</b>
BACKGROUND OF COST-ACCOUNTING PROJECT.....	PAGE 80
EXHIBIT 8: ADJUSTMENTS TO BASE.....	PAGE 81
EXHIBIT 9: JUSTIFICATION OF ADJUSTMENTS TO BASE.....	PAGE 82
EXHIBIT 16: SUMMARY OF REQUIREMENTS BY OBJECT CLASS .....	PAGE 90
EXHIBIT 17: DETAILED REQUIREMENTS BY OBJECT CLASS .....	PAGE 92
EXHIBIT 34: ADVISORY AND ASSISTANCE SERVICES.....	PAGE 97
EXHIBIT 35: PERIODICALS, PAMPHLETS AND AUDIOVISUAL PRODUCTS.....	PAGE 98
EXHIBIT 36: AVERAGE GRADE AND SALARY .....	PAGE 99
PRO-FORMA FINANCIAL STATEMENTS .....	PAGE 100
REPORT ON PATENT AND TRADEMARK FEES AND OBLIGATIONS .....	PAGE 106

## **Budget-at-a-Glance**

### ***Fiscal Year 2001 Highlights***

- PTO is requesting \$1,039 million or an increase of \$158 million above the fiscal year 2000 enacted level.
- We project our collections from fiscal year 2001 user fees to be \$1,152 million, and expect to carry forward \$26 million from 1999 fee collections and \$229 million from fiscal year 2000 fee collections.
- We will continue with a multi-year funding strategy that is cognizant of the following:
  - Changing dynamics in intellectual property protection and PTO's need for rapid response to changes in statute, rules, technology, and court decisions that expand the scope of protection.
  - The impact that the recently-enacted American Inventors Protection Act (AIPA) of 1999 will have on PTO fee income and expected spending.
  - The result of the Government's Space Consolidation project for the PTO was announced in June, 1999. However, legal issues continue to delay our efforts to finalize relocation plans.
- No rescission is proposed for fiscal year 2001.

### ***Fiscal Year 2001 Planned Accomplishments***

Corporate Plan-2001 meets the requirements of an Annual Performance Plan under the Government Performance and Results Act. The Patent, Trademark, Information Dissemination, Policy and Corporate Support sections of this Plan fully describe our program plan and planned accomplishments at the requested resource levels. At the fiscal year 2001 funding level, we will primarily focus on enhancing the quality of our products and services while adjusting operations to reflect higher workloads. We also will move toward full electronic commerce and implement recently passed patent reform legislation. Below are highlights of our planned accomplishments in fiscal year 2001 at the requested resource level.

- Our quality management system will enable us to enhance quality and at the same time meet timeliness requirements. We will provide customer service training, conduct in-process reviews of office actions, continue to review a statistically valid sample of allowed patents and registered trademarks, and integrate our performance measurement systems to ensure a balanced family of measures for all key products and services.

- We will expand our patent examiner staff in an attempt to address growing workloads. Additionally, the benefits of process reengineering and automation will result in a diminishing growth rate in the number of patent examiners hired each year.
- Our patent examiners will dispose of (either allow or abandon) 256,400 utility, plant and reissue applications and achieve an average cycle time of 13.6 months for all inventions.
- We will implement the provisions of the AIPA.
- Our trademark attorneys will register 169,500 trademarks (classes) and trademark applicants will receive a first action in 6.0 months from filing and a registration/disposal in 19.5 months.
- We will begin expanding our Web site offerings to include U.S. patent text and image data from 1790 to 1975.
- We will continue our efforts that move us closer to full electronic commerce, while supporting Presidential directive PDD-63 related to information security.
- We will help American businesses operate in the global economy by enhancing intellectual property protection around the world through technical assistance activities.
- We will enhance our international commitments by providing technical assistance to developing and least-developed countries in the preparation of laws and regulations on the protection and enforcement of intellectual property rights. Of particular significance is providing intellectual property protection seminars and technical training to representatives from African countries.

### ***Fiscal Year 2001 Workload and Funding***

The PTO is proposing a multi-year program that supports the Administration's initiatives and, at the same time, recognizes our customers' wishes to pay the lowest fee amounts possible for timely and high quality products and services.

- We anticipate continued strong growth in both trademark and patent applications for fiscal year 2001. Our plan shows patent and trademark applications rising 12 percent above current fiscal year 2000 estimates.
- Given our total reliance on fee-paid workloads, our revenue projections can be affected by changes in overall economic conditions both within the United States and abroad. For example, demand from foreign customers could expand if the global financial and economic environment continues its recovery of the past year. As a result of changing global economic conditions, our actual workload and revenue can (and frequently do) deviate from projections made 18 months before formulating the Corporate Plan.

- We are projecting \$984 million in fiscal year 2000 fee collections. This projection is predicated on 10 percent growth in patent and trademark filings over 1999 levels. However, given changes in legislation and fee rates, our fiscal year 2000 fee collections may exceed our current estimate. Any fiscal year 2000 fee income in excess of \$984 million will be used during fiscal year 2000 to address increasing patent and trademark workloads (as authorized by Congress as part of PTO's 2000 appropriation).
- As a labor-intensive organization, we cannot always gear up as quickly as needed to address shifts in workload. This has been particularly difficult in recent years with an extremely robust economy and new dynamics in the area of intellectual property protection. For example, in fiscal year 1999, we received 29,000 additional patent applications above the plan submitted to the Congress in February, 1998, as well as 20,000 additional trademark applications. Even though we continue to increase the number of patent and trademark examiners, there is a long lead-time before the number of examiners and their experience reach the levels necessary to address the increased workloads.
- For fiscal year 2000, we have decided to forego the inflationary adjustment proposed in the fiscal year 2000 Corporate Plan. Additionally, as part of the AIPA of 1999, we adjusted patent and trademark fees early in 2000 to reflect a realignment of costs from patents to trademarks driven by our activity-based costing effort. This was the second consecutive year that patent fees have been reduced.
- For fiscal year 2001, no changes are being proposed to the fee schedule at this time. As a High Impact Agency and to comply with a provision of the AIPA, we will conduct a fee study and continually assess our fee structure to ensure it encourages participation in the patent and trademark systems and reflects costs.

## ***Fiscal Year 2001 Resource Requirements***

Under the above assumptions, our fiscal year 2001 planned obligations are \$1,039 million (including \$20 million to be transferred to OPM), which is an increase of \$134 million above the fiscal year 2001 base. To fund this request, we expect to carry forward \$26 million from 1999 unavailable fee collections, \$229 million from fiscal year 2000 unavailable fee collections, and receive \$784 million in new spending authority from \$1,152 million in fiscal year 2001 fee collections. Following is a summary of the requested resources needed to enable us to meet the commitments represented by our planned accomplishments, with page references for the full explanation.

### **Patent and Trademark Office** (in Thousands)

	<b>FY 1999 Actual</b>		<b>FY 2000 Currently Available</b>		<b>FY 2001 Base</b>		<b>FY 2001 Request</b>		<b>Increase from FY 2001 Base</b>	
	<b>FTE</b>	<b>Dollars</b>	<b>FTE</b>	<b>Dollars</b>	<b>FTE</b>	<b>Dollars</b>	<b>FTE</b>	<b>Dollars</b>	<b>FTE</b>	<b>Dollars</b>
PTO	5,860	803,571	6,801	881,259	6,908	904,924	7,449	1,018,732	541	113,808
For Transfer to OPM	-	-	-	-	-		-	20,000	-	20,000
<b>Total<sup>1</sup></b>	<b>5,860</b>	<b>803,571</b>	<b>6,801</b>	<b>881,259</b>	<b>6,908</b>	<b>904,924</b>	<b>7,449</b>	<b>1,038,732</b>	<b>541</b>	<b>133,808</b>

<sup>1</sup> Includes \$260,000 of reimbursables in fiscal year 1999 and an estimated \$200,000 of reimbursables in fiscal year 2000.

## **PATENT BUSINESS**

(in Thousands)

	<b>FY 1999 Actual</b>		<b>FY 2000 Currently Available</b>		<b>FY 2001 Base</b>		<b>FY 2001 Request</b>		<b>Increase from FY 2001 Base</b>	
	<b>FTE</b>	<b>Dollars</b>	<b>FTE</b>	<b>Dollars</b>	<b>FTE</b>	<b>Dollars</b>	<b>FTE</b>	<b>Dollars</b>	<b>FTE</b>	<b>Dollars</b>
Patents	4,753	626,627	5,362	694,322	5,467	712,452	5,949	808,880	482	96,428

<b><i>Manage Growth While Improving Processing Times</i></b> <ul style="list-style-type: none"> <li>• Increase patent examiner staff by 200 positions over fiscal year 2000</li> <li>• Increase technical support resources</li> <li>• Provide adequate resources to print 168,300 patent:</li> <li>• Increase staff for the Board of Patent Appeals and Interferences to reduce existing ex parte appeal backlog</li> <li>• Continue reengineering by exploring virtual examination and e-business concepts</li> </ul>	250	\$22,695	Page 29
<b><i>Quality and Customer Satisfaction</i></b> <ul style="list-style-type: none"> <li>• Increase customer satisfaction</li> <li>• Enhance patent examiner training</li> <li>• Enhance classification and examiner search activities</li> <li>• Improve the sampling and effectiveness of the Office of Patent Quality Review</li> </ul>	114	\$24,004	Page 31
<b><i>Implementation of the American Inventors Protection Act of 1999</i></b> <ul style="list-style-type: none"> <li>• Term extension, pre-grant publication, expanded reexam, and performance-based organization</li> </ul>	118	\$20,006	Page 36
<b><i>Share of Public Access to Patent and Trademark Data</i></b>	-	\$4,323	Page 63
<b><i>Share of Information Technology Enterprise Infrastructure</i></b>	-	\$15,518	
<b><i>Share of Resource Management</i></b>	-	\$9,882	
<b><i>TOTAL INCREASE</i></b>	<b>482</b>	<b>\$96,428</b>	

## **TRADEMARK BUSINESS**

(in Thousands)

	<b>FY 1999 Actual</b>		<b>FY 2000 Currently Available</b>		<b>FY 2001 Base</b>		<b>FY 2001 Request</b>		<b>Increase from FY 2001 Base</b>	
	<b>FTE</b>	<b>Dollars</b>	<b>FTE</b>	<b>Dollars</b>	<b>FTE</b>	<b>Dollars</b>	<b>FTE</b>	<b>Dollars</b>	<b>FTE</b>	<b>Dollars</b>
Trademarks	791	101,257	1,078	110,252	1,080	113,834	1,126	124,278	46	10,444

<b><i>Manage Growth While Improving Processing Times</i></b> <ul style="list-style-type: none"> <li>Hire 35 additional trademark examining attorneys and commensurate technical support resources</li> <li>Fund pre-examination and quality assurance contracts</li> <li>Increase staff for the Trademark Trial and Appeal Board (TTAB) to keep up with output from examination</li> <li>Promote electronic filing and expedited examination of trademark applications</li> </ul>								45	\$4,800	Page 48
<b><i>Quality and Customer Satisfaction</i></b> <ul style="list-style-type: none"> <li>Enable Trademark Quality Review to continue to review a four percent sample of examined applications</li> </ul>								1	\$111	Page 49
<b><i>Implementation of the American Inventors Protection Act of 1999</i></b> <ul style="list-style-type: none"> <li>Title VI: Trademark Advisory Committee, other performance-based organization costs</li> </ul>								-	\$128	Page 36
<b><i>Share of Public Access to Patent and Trademark Data</i></b>								-	\$593	Page 63
<b><i>Share of Information Technology Enterprise Infrastructure</i></b>								-	\$3,019	
<b><i>Share of Resource Management</i></b>								-	\$1,793	
<b><i>TOTAL INCREASE</i></b>								<b>46</b>	<b>\$10,444</b>	

## INFORMATION DISSEMINATION BUSINESS

(in Thousands)

	FY 1999 Actual		FY 2000 Currently Available		FY 2001 Base		FY 2001 Request		Increase from FY 2001 Base	
	FTE	Dollars	FTE	Dollars	FTE	Dollars	FTE	Dollars	FTE	Dollars
IDO	231	59,556	260	57,853	260	59,198	260	62,881	0	3,683

<i>Implementation of the American Inventors Protection Act of 1999</i>								-	\$974	Page 36
• Title IV: Pre-grant publication										
<i>Share of Public Access to Patent and Trademark Data</i>								-	\$840	Page 63
<i>Share of Information Technology Enterprise Infrastructure</i>								-	\$1,063	
<i>Share of Resource Management</i>								-	\$806	
<b>TOTAL INCREASE</b>								<b>0</b>	<b>\$3,683</b>	



## **POLICY FUNCTION**

(in Thousands)

	<b>FY 1999 Actual</b>		<b>FY 2000 Currently Available</b>		<b>FY 2001 Base</b>		<b>FY 2001 Request</b>		<b>Increase from FY 2001 Base</b>	
	<b>FTE</b>	<b>Dollars</b>	<b>FTE</b>	<b>Dollars</b>	<b>FTE</b>	<b>Dollars</b>	<b>FTE</b>	<b>Dollars</b>	<b>FTE</b>	<b>Dollars</b>
Policy	85	16,131	101	18,832	101	19,440	114	22,693	13	3,253

<b><i>Establish an Integrated Quality Management System</i></b> <ul style="list-style-type: none"> <li>Establish and implement a quality management system</li> <li>Foster regular communication between the PTO and independent inventors</li> </ul>								6	\$1,614	Page 68
<b><i>Implementation of the American Inventors Protection Act of 1999</i></b> <ul style="list-style-type: none"> <li>Patent term extension, pre-grant publication, and expanded reexamination</li> </ul>								7	\$631	Page 36
<b><i>Share of Public Access to Patent and Trademark Data</i></b>								-	\$244	Page 63
<b><i>Share of Information Technology Enterprise Infrastructure</i></b>								-	\$607	
<b><i>Share of Resource Management</i></b>								-	\$157	
<b><i>TOTAL INCREASE</i></b>								<b><i>13</i></b>	<b><i>\$3,253</i></b>	

**CORPORATE SUPPORT ACTIVITIES<sup>2</sup>**  
(in Thousands)

	Increase from FY 2001 Base		
	FTE	Dollars	
<b><i>Public Access to Patent and Trademark Data</i></b> • Expand patent and trademark information on the Internet	-	\$6,000	Page 63
<b><i>Resource Management</i></b> • Support the PTO Space Consolidation Project • Enhance personnel-related decision-making • Enhance activity-based costing system • Expand PTO Data Warehouse • Implement the American Inventors Protection Act of 1999	-	\$12,638	Page 73
<b><i>CIO Infrastructure</i></b> • Improve information security • Replace PTONet	-	\$20,207	Page 76
<b><i>TOTAL INCREASE</i></b>		<b>\$38,845</b>	

<sup>2</sup> Costs of all corporate support activities are distributed via activity-based costing.

**Exhibit 5**

**DEPARTMENT OF COMMERCE**  
Patent and Trademark Office  
Salaries and Expenses  
**SUMMARY OF RESOURCE REQUIREMENTS**  
(Dollar amounts in thousands)

	Full-Time Permanent Positions	FTE	Budget Authority	Direct Obligations
2000 Enacted Budget				
Total Obligations.....	7,289	6,801	\$0	\$868,220
Less: Reimbursable Obligations.....	0	0	0	(200)
2000 Enacted Budget Direct Obligations.....	7,289	6,801	\$0	\$868,020
Plus: 2001 Adjustments to base.....	(261)	107	0	36,904
2001 Base Request.....	7,028	6,908	\$0	\$904,924
Less or plus: 2001 Program Changes.....	656	541	0	133,808
2001 Estimate.....	7,684	7,449	\$0	\$1,038,732

**DEPARTMENT OF COMMERCE**  
Patent and Trademark Office  
Salaries and Expenses  
**SUMMARY OF REQUIREMENTS BY BUSINESS AREAS**  
(Dollar amounts in thousands)

Core Business Areas:		1999		2000		2001		2001		Increase / (Decrease)	
		Actual		Currently Available		Base		President's Budget		From 2001 Base	
		Personnel	Amount	Personnel	Amount	Personnel	Amount	Personnel	Amount	Personnel	Amount
Patents.....	Pos./BA	4,977	627,306	5,808	683,453	5,549	712,452	6,141	808,880	592	96,428
	FTE/Obl	4,753	626,407	5,362	694,142	5,467		5,949		482	
Trademarks.....	Pos./BA	776	102,351	1,102	107,882	1,100	113,834	1,151	124,278	51	10,444
	FTE/Obl	791	101,217	1,078	110,232	1,080		1,126		46	
Information Dissemination.....	Pos./BA	234	59,648	276	57,853	276	59,198	276	62,881	0	3,683
	FTE/Obl	231	59,556	260	57,853	260		260		0	
Subtotal Core Business Areas.....	Pos./BA	5,987	789,305	7,186	849,188	6,925	885,484	7,568	996,039	643	110,555
	FTE/Obl	5,775	787,180	6,700	862,227	6,807		7,335		528	
Policy.....	Pos./BA	79	16,251	103	18,832	103	19,440	116	22,693	13	3,253
	FTE/Obl	85	16,131	101	18,832	101		114		13	
Subtotal Patent and Trademark Office.....	Pos./BA	6,066	805,556	7,289	868,020	7,028	904,924	7,684	1,018,732	656	113,808
	FTE/Obl	5,860	803,311	6,801	881,059	6,908		7,449		541	
Indirect Cost Transfer to OPM	Pos./BA	0	0	0	0	0	0	0	20,000	0	20,000
	FTE/Obl	0	0	0	0	0		0		0	
Total Patent and Trademark Office.....	Pos./BA	6,066	805,556	7,289	868,020	7,028	904,924	7,684	1,038,732	656	133,808
	FTE/Obl	5,860	803,311	6,801	881,059	6,908		7,449		541	
Less: Financing from Offsetting Collections.....	BA		886,915		984,000		904,924		1,151,587		246,663
	Obl.		806,350		868,020						
Less: Offsetting Collections (unavailable balances from PY).....	BA		108,316		116,000		0		229,000		229,000
	Obl.		0		0						
Less: Portion not Available for Obligation from PY (limitation on obligations).....	BA		0		0		0		25,889		25,889
	Obl.		0		0						
Less: Portion not Available for Obligation CY (limitation on obligations).....	BA		(141,889)		(229,000)		0		(367,744)		(367,744)
	Obl.		0		0						
Less: Prior Year Unobligated Balance Brought Forward.....	BA		13,263		0		0		0		0
	Obl.		(3,039)		3,039						
Less: Estimated Recoveries of Prior Year Obligations.....	BA		11,000		0		0		0		0
	Obl.		0		10,000						
Financing/(Rescission) from Direct Appropriated Funds.....	BA		(72,049)		(2,980)		0		0		0
	Obl.		0		0						
Plus: Prior Year Offsetting Collections.....	BA		108,316		116,000		0		254,889		254,889
	Obl.		0		0						
Total Appropriation.....	BA		36,267		113,020		0		254,889		254,889
	Obl.		0		0						
Plus/Less: Change in Offsetting Collections (unavailable balances).....	BA		(141,889)		(229,000)		0		(367,744)		(367,744)
	Obl.		0		0						
Total Budget Authority.....	BA		(105,622)		(115,980)		0		(112,855)		(112,855)

## DEPARTMENT OF COMMERCE

Patent and Trademark Office

Salaries and Expenses

## SUMMARY OF FINANCING

(Dollar amounts in thousands)

	1999 Actual	2000 Currently Available	2001 Base Amount	2001 President's Budget	Increase/ (Decrease) From 2001 Base
Obligations:					
Total direct obligations.....	803,311	881,059	904,924	1,038,732	133,808
Total reimbursable obligations.....	260	200	0	200	200
Total obligations:.....	<u>\$803,571</u>	<u>\$881,259</u>	<u>\$904,924</u>	<u>\$1,038,932</u>	<u>\$134,008</u>
Financing:					
Offsetting collections from:					
Unavailable balances.....	0	(116,000)	0	0	0
Reimbursable obligations ( Federal Reimb.).....	(260)	(200)	0	(200)	(200)
Non-Federal sources/User fee collections.....	<u>(806,350)</u>	<u>(984,000)</u>	<u>(904,924)</u>	<u>(1,151,587)</u>	<u>(246,663)</u>
Subtotal	<u>(806,610)</u>	<u>(1,100,200)</u>	<u>(904,924)</u>	<u>(1,151,787)</u>	<u>(246,863)</u>
Recoveries:					
Prior year obligations.....	0	(10,000)	0	0	0
Unobligated balance, start of year.....	0	(3,039)	0	0	0
Unobligated balance, end of year.....	3,039	0	0	0	0
Offsetting collections from PY, rescission.....	(71,000)	0	0	0	0
Offsetting collections, rescission.....	(1,049)	0	0	0	0
Unavailable offsetting collections from PY-1.....	0	0	0	(25,889)	(25,889)
Unavailable offsetting collections from CY.....	0	0	0	(229,000)	(229,000)
Unavailable offsetting collections (limitations on obligations).....	<u>0</u>	<u>229,000</u>	<u>0</u>	<u>367,744</u>	<u>367,744</u>
Net change.....	<u>(69,010)</u>	<u>215,961</u>	<u>0</u>	<u>112,855</u>	<u>112,855</u>
Financing/(Rescission) from direct appropriated funds.....	<u>(72,049)</u>	<u>(2,980)</u>	<u>0</u>	<u>0</u>	<u>0</u>
Prior year offsetting collections.....	108,316	116,000	0	254,889	254,889
Total appropriation.....	<u>36,267</u>	<u>113,020</u>	<u>0</u>	<u>254,889</u>	<u>254,889</u>

## Executive Summary

*The key assets in high-technology industries are often not factories or machines but intangibles such as scientific ideas or the algorithms contained in computer programs. These assets, unlike physical assets, can be used by any number of people at once. Without intellectual property protection, firms and individuals would have insufficient incentive to produce these assets, because they are costly to produce but cheap to copy or imitate. In recognition of this problem, the U.S. Constitution empowers the Congress to “promote the Progress of Science and useful Arts, by securing for limited times to authors and inventors the exclusive right to their respective writings and discoveries.” Intellectual property laws do just that.<sup>1</sup>*

Corporate Plan-2001 is an integrated performance plan and budget request. This executive summary links our mission and strategic goals to the Department’s mission and strategic themes. It then lays out our High Impact Agency commitments. Next, it shows the integration of the Department’s strategic themes, our strategic goals, our performance goals and our specific commitments to meet those goals. Specific goal and performance measure information, along with required resources, is documented in the subsequent sections of this plan.

### ***PTO in the Department of Commerce***

The PTO’s mission is to promote industrial and technological progress in the United States and to strengthen the national economy by administering the laws relating to patents and trademarks, and advising the Administration on patent, trademark, and copyright protection, and trade-related aspects of intellectual property. This mission is carried out through two strategic goals:

- Play a leadership role in intellectual property rights policy, including trade-related intellectual property issues for which we have responsibility.
- Provide our customers with the highest level of quality and service in all aspects of PTO operations.

This mission and strategic goals, along with the PTO’s four performance goals on which this Corporate Plan is based, directly support the Department’s mission (depicted in Figure 1) as follows:

The Department of Commerce promotes job creation, economic growth, sustainable development and improved living standards for all Americans, by working in partnership with business, universities, communities and workers:

To build for the future and promote U.S. competitiveness in the global marketplace, by strengthening and safeguarding the Nation’s economic infrastructure;

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<sup>1</sup> Economic Report of the President transmitted to the Congress February 1998: page 209.

*Intellectual property protection is a key component in the success of the American economy and it enables us to operate more effectively in the global economy. By protecting intellectual endeavors, the PTO seeks to foster our Nation's technological edge, which is a key to our current and future competitiveness. Innovation is a national resource that contributes to our economic base and provides a catalyst for economic prosperity through the accumulation of scientific knowledge and the introduction of new products and services. By ensuring adequate protection for innovations through patents, trademarks and copyrights, the United States encourages businesses to risk investment for research, development, and marketing. Consumers benefit from the availability of new/improved products, jobs and wealth.*

To keep America competitive with cutting-edge science and technology and a world-class information base;

*The knowledge disclosed through a patent grant contributes to the advance of science and technology, on which our Nation's economy is built. Disclosure of the information contained in a patent grant provides the public with information about the most recent state of technological development. In addition, a patent offers the necessary information and stimulation for continuing development, and directs those interested in the exploitation of an invention to the relevant source of technology. The trademark system helps promote order and certainty in the Nation's economic infrastructure. The introduction of new products and services is made easier and less risky by the availability of information concerning trademarks in use by others. Using this information, a mark can be selected which will distinguish new products and services from others and thereby avoid confusion in the minds of customers.*

To provide effective management and stewardship of our Nation's resources and assets to ensure sustainable economic opportunity.

*PTO is cognizant of its responsibility for providing effective management and stewardship of the Nation's intellectual property resources by administering the laws related to patents and trademarks, and providing customers with the highest level of quality and services. In doing this, PTO emphasizes timeliness in processing applications and the quality of issued patents and registered trademarks. These high levels of quality and service can be provided only through enhancing our human resources, leveraging information technology, employing better processes and effectively managing resources.*

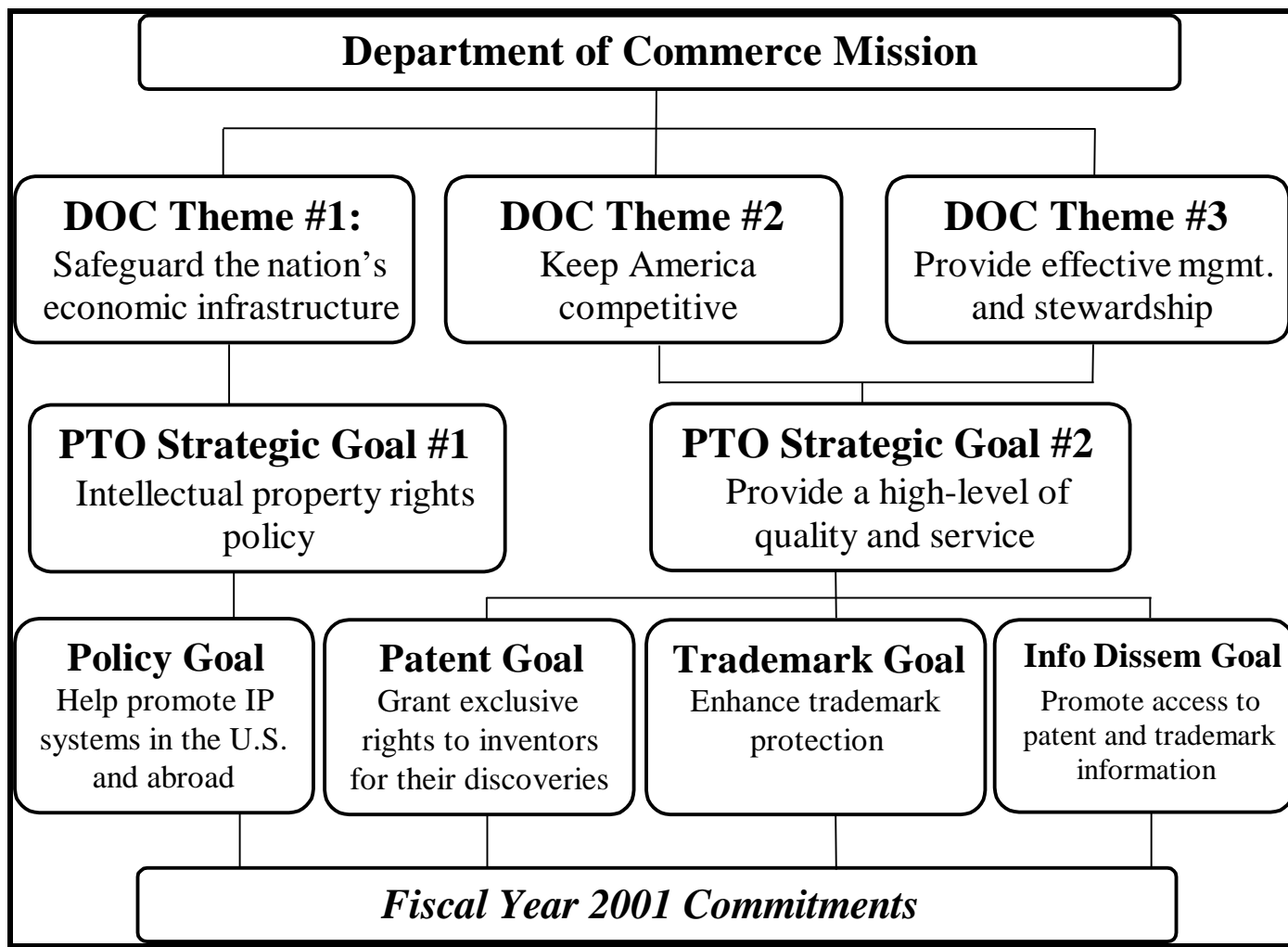


Figure 1



## ***High-Impact Agency Commitments***

As one of Vice President Gore's High Impact Agencies, we crafted a series of commitments that are enhancing customer satisfaction with the PTO because we are emphasizing our core business strengths of providing high quality and timely products and services to our customers. We also fully support the transition to electronic commerce.

In the past, we have focused primarily on the timeliness of the patent and trademark processing pipelines. However, like any other business that wants to be competitive in the 21<sup>st</sup> century market place, we recognize the importance of quality and customer satisfaction. Therefore, we have broadened our focus from one of timeliness as the principle path for achieving customer satisfaction to a multi-path effort incorporating timeliness, quality, and cost.

We have initiated a highly visible quality management system at the PTO that is guiding PTO towards performance excellence. A Quality Management function, reporting directly to the Commissioner of Patents and Trademarks, is working with a Quality Council comprised of representatives from all areas of the PTO. Together, they are identifying opportunities for improvement throughout the PTO that will lead to performance excellence, as measured by periodic assessments. These assessments provide an opportunity for PTO to step back and determine how well the entire organization is performing in such areas as leadership, strategic planning, customer and market focus, information and analysis, human resource focus, and process management. The assessments take into consideration the approaches PTO has established for guiding the organization towards performance excellence; the breadth and depth of deployment of these approaches across the organization; and the results attained. These assessments serve to integrate and prioritize the quality activities occurring across the organization and provide a common language in the quest for performance excellence.

In the business areas, our quality efforts focus on our customers, employees and processes, with an emphasis on coordination, communication and commitment. Our formal quality programs trace back to the early 1960s. Since that time, we have focused on the quality of the patent grant and trademark registration through the respective Quality Review Programs. We focused on employees' skills through the establishment of training programs, such as the Patent Academy and the Examiner Education Program.

In the 1990s, we supported reengineering with its emphasis on customer service and satisfaction. For the first time, our measurement systems took customers into account. Customer feedback was actively sought to measure satisfaction and to improve processes. The Center for Quality Services was established. Quality also was emphasized at all levels of the organization, through such initiatives as the introduction of Quality Assurance Specialists in Patent Technology Centers and Root Cause Problem Solving in Trademarks.

At the present time, the PTO is using performance excellence criteria to help deliver ever-improving value to customers while maximizing overall effectiveness and productivity. More details are included in the Policy section of this corporate plan. Specific customer-focused strategies and projects are discussed in each of the business area sections of this document.

Our High Impact Agency Commitments will generate enhanced customer satisfaction with the PTO. These commitments are as follows:

- Process all inventions in 12 months (to be achieved in 2003)\*
- Render a trademark first action in three months (to be achieved in 2000 and maintained in 2001)\*
- Offer electronic filing to our customers (under way in Trademarks, to be piloted in Patents in 2000).
- Electronically process patent applications (in 2003) and trademark applications.
- Partner with the World Intellectual Property Organization to achieve electronic filing of PCT applications and to electronically receive and process PCT applications at the PTO (in 2000).
- Enable customers to use the Internet to conduct business electronically (ongoing).
- Continually assess the PTO fee structure to ensure it encourages participation in the patent and trademark systems and reflects costs (ongoing).
- Offer PTO employees innovative training programs and work-at-home opportunities (ongoing).

These High Impact Agency Commitments are the outgrowth of the performance goals of our three businesses and Policy function. As depicted in the following graphic, each of these performance goals is linked directly to one of the strategic themes of the Department's mission. Corporate Plan-2001 is centered on achieving customer satisfaction by focusing on our High Impact Agency Commitments.

\* Patent cycle time and trademark pendency performance targets are not expected to be met due to unprecedented workload growth and restricted use of fee income.

Department Theme	PTO Strategic Goal	Business	Performance Goal	High Impact Agency Commitments
Build for the future and promote U.S. competitiveness in the global marketplace, by strengthening and safeguarding the Nation's economic infrastructure.	Play a leadership role in intellectual property rights policy, including trade-related intellectual property issues for which we have responsibility.	Policy Function	Help protect, promote and expand intellectual property rights systems throughout the United States and abroad.	Partner with WIPO to achieve electronic filing of Patent Cooperation Treaty applications.
Provide effective management and stewardship of our nation's resources and assets to ensure sustainable economic opportunities.	Provide our customers with the highest level of quality and service in all aspects of PTO operations.	Patents	Grant exclusive rights, for limited times, to inventors for their discoveries.	<p>Process all inventions in 12 months.</p> <p>Offer electronic filing to our customers.</p> <p>Electronically process patent applications.</p> <p>Partner with WIPO to achieve electronic filing of PCT applications, and electronically receive and process PCT applications at the PTO.</p>
Provide effective management and stewardship of our nation's resources and assets to ensure sustainable economic opportunities.	Provide our customers with the highest level of quality and service in all aspects of PTO operations.	Trademarks	Enhance trademark protection.	<p>Render trademark first action in three months.</p> <p>Offer electronic filing to our customers.</p> <p>Electronically process trademark applications.</p>
Keep America competitive with cutting-edge science and technology and an unrivaled information base.	Provide our customers with the highest level of quality and service in all aspects of PTO operations.	Information Dissemination	Promote awareness of and provide effective access to patent and trademark information	Enable customers to use the Internet to conduct business electronically.

The remaining two commitments, relating to our fee schedule and workforce transition, are crosscutting management initiatives. Details on accomplishments to date in meeting these commitments, plans for fiscal year 2001 and beyond, and other performance information are described in detail in the subsequent sections of this Corporate Plan.

## ***Economic Review and Outlook***

The U.S. economy is closing in on ten consecutive years of expansion. In February 2000 this expansion will become the longest in recorded U.S. history, exceeding the 106 consecutive months of expansion experienced between February 1961 and December 1969. The current consensus forecast of private sector economists foresees a 3.0 percent rate of real GDP growth through fiscal year 2001, however it should be noted that in recent years the consensus forecast has consistently underestimated the strength of the economy. Even so, while a 3.0 percent growth rate is below the 4.3 percent rate experienced in fiscal year 1999, it still represents very strong growth by any historic measure. The unemployment rate should rise only slightly, if at all, and remain near 4.5 percent through fiscal year 2001, while inflation is expected to continue at a low and stable rate. With growth continuing through fiscal year 2001, we expect the demand for PTO products and services to continue to expand as well.

In a recent statement, President Clinton recognized the importance of the intellectual property protection system to economic growth. He cited the benefit of strengthening intellectual property incentives “to create the inventions and innovations that will drive the 21<sup>st</sup> century economy.”<sup>2</sup> In addition, in speeches and Congressional testimony, Federal Reserve Chairman Alan Greenspan continues to note compelling evidence that technology has driven the recent acceleration in U.S. productivity. In Chairman Greenspan’s vision of technology-driven economic growth, the PTO is affected in two significant ways. First, economic growth greatly influences the level of demand for patent and trademark services; second, PTO is a prime facilitator of the technological innovation that causes the economic growth in the first place. Put slightly differently, technology-driven growth has a double-edged effect on the PTO. It appears that the more adept PTO has become at enabling innovation, the greater the resultant economic growth, and the greater the unanticipated demand for intellectual property protection. Unanticipated demand means we must become even more adept in our processes, and the cycle continues.

A continuing PTO challenge is our ability to hire and retain the employees with specialized skills who make it possible for PTO to keep pace with the economy. National Science Foundation survey results show that the unemployment rate for individuals holding science and engineering doctorates was 1.2 percent in 1997, when the unemployment rate for the economy overall was 5 percent. Today with unemployment rates even lower overall, the market for scientists and engineers is tighter still, and should remain so at least into fiscal year 2001, as unemployment as a whole is expected to remain near its current historic low point. This view of the science and engineering market is bolstered by the Bureau of Labor Statistics which projects that the economy will supply science and engineering employment opportunities between now and 2006 at a rate more than three times that for all occupations combined. Taken together, this information implies continuing recruitment difficulties for PTO through fiscal year 2001 and beyond.

Certain occurrences could require us to revise our forecasts. For example, demand from foreign customers could expand if the global financial and economic environment continues its recovery of the past year. On the negative side, several factors have the potential to destabilize prices: commodities prices might well begin to rise after several years of general decline; the dollar could decline against key currencies and push up

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<sup>2</sup> *Remarks by the President on Economic Growth.* The White House, Office of the Press Secretary. December 3, 1999.

import prices; and interest rates might cause borrowing costs to rise. A confluence of such factors could potentially slow both overall economic growth and intellectual property protection demand below expectations. Overall, however, continued prosperity and economic stability in the United States should continue to set the tone for both our domestic and foreign customers. Whatever the future course of events, the PTO is committed to supporting economic growth by efficiently and effectively supplying the intellectual property rights necessary to promote innovation and productivity growth.

## ***Evaluations***

In 1994, we began holding focus sessions with customers to determine their needs and expectations. These sessions resulted in the development of customer service standards relating to timeliness, accuracy, and responsiveness of the PTO in delivering its products and services. In 1995, we began surveying customers to establish baselines and, subsequently, to measure progress towards customer satisfaction with the three business units in general and with specific goals and objectives. These customer-driven evaluations have guided the PTO's strategic and corporate planning (i.e., annual performance planning) processes. We have continued to measure overall customer satisfaction for the three business units. Patent, trademark, and information dissemination customers were surveyed in the summer of 1999, and the results will be distributed to our customers through our annual Customer Satisfaction Report. The latest customer satisfaction measures are included in the performance goals and targets at the end of the Patent, Trademark, and Information Dissemination sections.

The National Academy of Public Administration (NAPA) approached the PTO to conduct an outreach program with PTO stakeholders and customers for the purpose of defining and measuring end-outcomes of the US patent and trademark systems. NAPA set up and facilitated two sets of sessions with patent and trademark stakeholders and customers, respectively, in October 1998 and in January 1999. Invited to the sessions were independent inventors, patent and trademark practitioners, industry representatives, academicians, economists, PTO senior executives, and experts in performance measurement.

The sessions focused on three key questions:

- What is the purpose of the PTO in today's world as perceived by the PTO's stakeholders?
- What is the value to the US stakeholder of patents issued, trademarks registered, and the US patent and trademark systems?
- How can the value of US patents and trademarks be measured?

Concurrently with the stakeholder sessions, NAPA conducted an academic study of the value of the patent and trademark systems, and, more specifically, the value of a patent grant and trademark registration. NAPA assembled a group of graduate students from a public administration graduate school to conduct an in-depth literature review on these topics.

NAPA compiled the results of these sessions and presented their findings and recommendations to the PTO. A formal written report documenting the input, findings and recommendations will be distributed to all of the participants at the stakeholder session. PTO also will share this information with the Administration and the Congress including any follow-on plans.

We also are committed to incorporating employee input into our strategic and corporate planning processes. Employee satisfaction levels are one of the key components of a balanced family of performance measures developed by the PTO. In 1995, we conducted the first PTO-wide employee satisfaction survey. The data from this survey was used to report employee satisfaction levels. In 1998, we conducted a second PTO-wide employee satisfaction survey using a new instrument, the Office of Personnel Management's Organizational Assessment Survey. This survey instrument consisted of over 150 items with 17 dimensions. The overall response rate was 55 percent or 3,148. While survey questions and response scales were vastly different from the original instruments, this instrument was chosen in an effort to allow comparisons with other Government organizations and with private sector members of the Mayflower Group.

PTO chose to use one question as the employee satisfaction indicator for reporting purposes: "Considering everything, how satisfied are you with your job?" Using this question, 48 percent of the respondents are satisfied employees. The results were positive in some key areas, such as diversity, supervision, customer orientation and rewards and recognition.

Two areas of challenge were the issues of quality versus quantity of production, and training. The PTO has begun to take action to address both of these challenges. A Quality Management function reporting directly to the Commissioner of Patents and Trademarks has been established. This function includes a PTO Quality Council with representatives from throughout the PTO as well as the three bargaining units. The Quality Council will continue to analyze the survey results and develop actions for improving employee satisfaction across the PTO. In addition, each business area will be developing actions specific to challenges identified for their area.

In terms of training, a Blue Ribbon Panel to examine training practices has been established. The Panel reported its findings to the Commissioner and, to date, two partnership agreements were signed for Law School and Technical Training.

## ***Inter-Agency Collaborations***

We collaborate with numerous Federal agencies in accomplishing our mission and HIA performance commitments.

Our Patent Business works closely with the Departments of Defense and Energy, and the National Aeronautics and Space Administration in handling patent applications having national security implications. We work with the Department of Health and Human Services in handling both AIDS-related and recombinant DNA information. We also work with the Food and Drug Administration with regard to patent term extensions for drug-related patents that have received regulatory review.

Our Trademark Business works with the Department of Treasury's U.S. Customs Service regarding counterfeit goods or services.

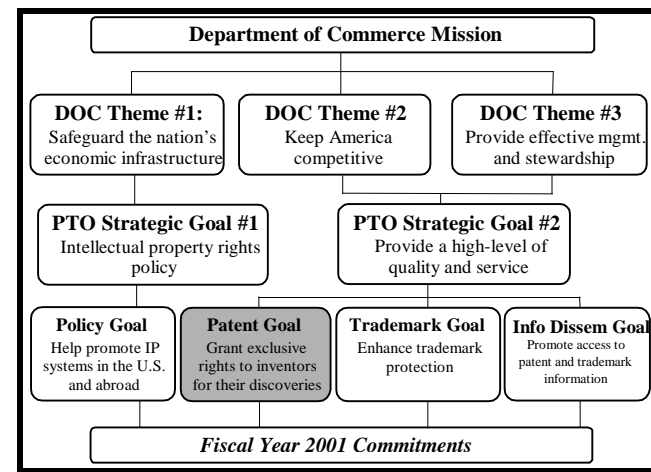
Our Information Dissemination Business provides an annual report on patent statistics to the Census Bureau for the Statistical Abstract of the United States, and partners with the National Science Foundation on the Report to the President on Science and Engineering Indicators. The Government Printing Office replicates our CD-ROM products and makes them available to their depository libraries. We also provide the U.S. Customs Service with CD-ROMs of trademark information.

Our Office of Legislative and International Affairs (Policy) collaborates with the Department of State, the Office of the United States Trade Representative (USTR), and the International Trade Administration in the formulation and negotiation of proposals for the protection of intellectual property, both at home and abroad. We also advise the USTR on unfair foreign trade practices for intellectual property (Section 301).

## Patent Business

The Patent Business is one of the PTO's three core businesses. The primary mission of the Patent Business is to help customers get patents. We accomplish this mission by comparing the claimed subject matter of an inventor's application for a patent to a large body of existing technological information to determine whether or not the claimed invention is new, useful and non-obvious to someone knowledgeable in that subject matter. In the course of examining patent applications, examiners make determinations on patentability, prepare answers to briefs on applications appealed, make holdings of abandonments, recommend institution of interference proceedings to determine priority of inventorship, and act on other post-interference issues in accordance with the provisions of 35 U.S.C. and 37 C.F.R.

A United States patent confers on the owner of innovative technology the right to exclude others from importing, making, using, offering for sale or selling the patented invention in the United States in exchange for a full and complete disclosure of the invention. A patent represents a valuable asset and, as such, it attracts the necessary capital to establish, expand, and maintain U.S. industries not only in the United States, but also around the world. Therefore, we play a central role in supporting the Department's strategic goal to provide effective management and stewardship of our nation's resources and assets to ensure sustainable economic opportunities.



## The Patent Business Environment

We have experienced a steady growth in application filings in the last decade of the twentieth century. While utility, plant and reissue (UPR) filings in fiscal year 1989 were 151,331, they reached an unprecedented mark of 272,221 in fiscal year 1999. Such a strong historical trend in filings coupled with a strong U.S. economy lead us to forecast that the next five years will demonstrate a strong annual growth in filings. Inferring from expenditures in research and development, the strongest growth in filings is expected to occur in communications, computer software, business methods and semiconductor inventions. The examination of filings in these technologies is complex and is dependent upon the availability of existing information. We need to be prepared to address the needs of these areas by expanding examiner access to information, by elevating the knowledge and skill level of our examiners, and by continuing to explore new and innovative ways of doing business.

Table 1 on the next page shows our key workload indicators from fiscal years 1996 through 2001. In addition to UPR filings, we also have experienced growth in other key areas of our business, such as filings under the provisions of the Patent Cooperation Treaty (PCT) Chapters I and II. These too require a corresponding alignment of resources to prevent us from missing treaty-imposed time requirements.



**Table 1**

<b>Key Workload Indicators</b>						
	<b>FY 1996</b>	<b>FY 1997</b>	<b>FY 1998</b>	<b>FY 1999</b>	<b>FY 2000</b>	<b>FY 2001</b>
<b>Utility, Plant, and Reissue (UPR) Patent Applications Filed<sup>1</sup></b>	191,116	220,773	240,090	272,221	299,400*	335,400
<b>Percentage Increase of UPR Application Filed</b>	...	16	9	13	10	12
<b>Inventions Filed<sup>2</sup></b>	158,427	182,805	201,777	219,288	241,200	270,100
<b>Percentage Increase of Inventions Filed</b>	...	15	10	9	10	12
<b>PCT Chapter I Applications Filed</b>	20,106	22,767	27,138	30,305	35,000	39,000
<b>PCT Chapter II Applications Filed</b>	9,194	11,577	13,570	14,151	18,600	21,000
<b>UPR Disposals (allowed and abandoned)</b>	180,196	196,688	203,227	219,556	235,600	256,400
<b>Average Pendency (months)<sup>3</sup></b>	20.8	22.2	23.8	25.0	26.2**	26.6**
<b>Average Cycle Time (months)<sup>4</sup></b>	14.6	16.0	16.9	12.9	13.1**	13.6**

\* Based on fiscal year 1999 filing levels and initial 2000 estimates, fiscal year 2000 UPR filing levels could reach or exceed 305,000, or 12 percent over 1999 filing levels.

\*\* Pendency and cycle time numbers for fiscal years 2000 and 2001 were revised based on (1) the final number of UPR filings in fiscal year 1999, (2) the enacted budget for fiscal year 2000, and (3) the requirements of the American Inventors Protection Act of 1999.

<sup>1</sup> Based on fiscal year 1999 actual filings and 2000 estimates, we have revised our fiscal year 2001 projections to 335,400 UPR applications from the original 291,000 estimate submitted in our 2000 Corporate Plan. Thus, in the aggregate, our fiscal year 2001 projection represents an increase of 44,400 UPR applications over our previous estimate.

<sup>2</sup> As result of GATT legislation in 1995, the PTO transitioned to tracking inventions rather than applications. The PTO expects that a natural result of expedited office actions will be a decline in *continuations*, or second applications filed to continue the prosecution of a prior application. Therefore, tracking the number of invention filings will serve as a more reliable and consistent measure of workload over time. Information on original inventions filed prior to fiscal year 1996 is not available. However, the recently enacted AIPA legislation transitions the PTO back to tracking applications.

<sup>3</sup> Pendency measures patent application processing time from date of filing of an application to its abandonment or grant. This is an aggregate measure, which, unlike cycle time, does not segregate between PTO processing time and the time in-process attributable to the applicant (i.e., when the PTO is awaiting applicant's response to an office action, which may be delayed up to six months). Additionally, pendency time begins counting from zero when the applicant files a continuation of the original (parent) application or invention.

<sup>4</sup> Cycle time is a composite measure of three components of PTO processing time: (1) cycle time from filing to first action, measured by the average PTO processing time for all new inventions that are pending first office action, (2) cycle time from first action to disposal, measured by the average PTO processing time of all cases pending after first office action, and (3) cycle time from allowance to publication of the patent grant, measured by the average PTO processing time of all allowed cases in the publication process. Cycle time is one metric for measuring PTO processing time. Based on customer input, the requirements of the AIPA, and the Patent Business strategic planning process, we expect to revalidate our metrics for processing time.

Given the above-depicted trend in growth and the rising complexity of filings, we must strive to find new ways of processing our work. To explore new processing options and to test reengineered designs, we opened the Patent Working Lab in March 1998. The Lab comprised 24 participants, representing various technologies throughout the Patent Corps. The Lab participants were grouped into four teams. Each team comprised four adjudicators (examiners), one analyst, and one assistant. The goals of the Lab were to improve patent application processing by training technical support personnel to perform higher-level administrative functions thus enabling examiners to focus their time on legal and technical considerations; encouraging teamwork and collaboration among team members; improving examination quality; and improving customer and employee satisfaction.

The Patent Working Lab concluded its mission in March 1999, providing the Patent Business important lessons. Most importantly, lab participants demonstrated that our non-examiner staff could effectively perform several tasks traditionally performed by examiners. Not only does this provide additional 'up-skilling' opportunities and assist in transitioning them to an automated environment, but it also enables patent examiners to focus more on the legal and technical aspects of the examination process. This concept supports our strategic direction to balance the distribution of work and has potential to deliver marked improvements in customer and employee satisfaction and greater quality of work products. Because of the demonstrated successes in the Lab, the Patent Business is planning to pilot these concepts on a larger scale in select Technology Centers during fiscal year 2000 to determine if the results would continue to be as encouraging when applied to a larger non-laboratory production environment.

During fiscal year 1998 we reduced by over 100 days the time needed for the initial review of patent applications. In fiscal year 1999, we consistently maintained an average processing time of less than 30 days in the initial review phase. This has contributed to achieving a fiscal year 1999 average cycle time of 12.9 months and is a good predictor of improved customer satisfaction. Also in 1998, we moved closer to accomplishing one of our four business goals—establishing fully supported and integrated Technology Centers. The realignment of the examining groups into six Technology Centers that parallel technology groupings in private industry has enabled us to focus attention to meeting specific customer requirements and allowed us to embrace new management concepts and techniques to best meet the unique requirements of each Technology Center. Proposed new initiatives in this domain will center on improving customer service and responsiveness; improving the quality of our searches; and streamlining our examination processes.

On the automation front, we currently scan all incoming patent applications. In August 1998, we built upon this technology using commercially available optical character recognition (OCR) to capture bibliographic data from the application when submitted to the PTO in a standardized format. This process is used to prepare and send an electronic acknowledgment of application receipt to the applicant and to automate the capture of bibliographic data. Our automation plans also include offering a variety of means for our customers to electronically file their applications. Working with volunteer applicants, in fiscal year 2000 we will be offering an electronic filing capability for utility applications and amino acid and nucleotide sequence listings for UPR applications filed.

A strong economy with low unemployment has caused stiff competition with the private sector for qualified candidates to fill patent examiner positions and other key vacancies. We also are challenged by the need to respond to customer expectations regarding the quality and timeliness of the patent process. We are committed to President Clinton's Framework for Global Electronic Commerce, whereby we will better meet the needs of the fast-moving electronic age.

The Patent Business began a second cycle of strategic planning effort (for fiscal years 2002 to 2006) in August 1999. The objectives of the effort are to get input from customers regarding priorities for the office, revalidate existing patent goals, and make modifications to the vision, mission, strategic directions and goals based on customer input. The planning process also takes into account employees' involvement and feedback. The target completion date for publication of the patent strategic plan is April 2000.

### ***The Patent Business Case***

The timely issuance of patents is critical from the standpoint of the inventor as well as for ensuring the operational effectiveness and financial stability of our business. As measured by cycle time, our current methodology for measuring the time it takes to process an invention, the term of utility patent protection begins on the date the patent is issued and ends 20 years from the filing date of the invention. As such, cycle time directly impacts the term of patent protection for our customers. Patent customers rely on timely feedback and action on their applications in order to take advantage of the economic opportunities a patented invention affords. To maintain financial stability, we must continuously strive to decrease cycle time and maintain high quality standards, while preventing a decline in our output or patent disposals. Patent disposals include patents issued. Patent issue and maintenance fee revenue results from patents issued.

However, Congress recently enacted the American Inventor's Protection Act (AIPA) of 1999, which set forth new timeliness standards for the Patent Business. This new legislation, for example, provides that failure to issue a first office action on the merits of the claimed invention within 14 months of the filing date, or to issue a patent later than 36 months after the filing date, will result in a commensurate restoration of patent term to the diligent applicant. The over-arching goal of the patent system is not just the incentive it offers to the inventor to disclose his or her discovery, but the greater good which accrues to society as a whole from the use of the invention once the term of patent protection has lapsed. Therefore, it is incumbent upon the Patent Business to both maximize the term of patent protection for the inventor by reducing processing time, and also to avoid the negative impact on the public arising from the extension of patent term beyond that prescribed by law.

Consequently, our efforts will be directed towards achieving 12 months cycle time for all inventions, while at the same time striving to comply with the pendency constraints in the AIPA legislation. The Patent Business strategic planning effort will address these two needs as well as other significant requirements contained within the legislation. It is anticipated that our strategic planning process will likely result in revised goals and commitments and new metrics for determining timely processing.

In order to have the capability to meet the demands of examining patent applications as the number of filings continues to grow and inventions become more complex, we have adopted a three-pronged strategy:

1. To improve the quality of our products and services based on customer feedback;
2. To enhance our operational capacity by increasing our examining and support staff cadre of professional and technical support staff; and
3. To improve our productivity and organizational effectiveness by adopting new ways of doing business.

## ***Year 2001 Commitments***

All Patent Business activities planned for fiscal year 2001 support one or more of our High Impact Agency Commitments:

- Process all inventions in 12 months in 2003.
- Electronically process patent applications in 2003.
- Enable customers to use the Internet to conduct business electronically.

## ***Business Goals and Objectives***

All Patent Business activities planned for fiscal year 2001 directly support the Patent Business macro performance goal and our four business goals.

The Patent Business macro performance goal is to grant exclusive rights, for limited times, to inventors for their discoveries. In direct support of this goal and in concert with the mission of the Patent Business we have delineated the following business goals.

- Reduce PTO processing time to 12 months or less for all inventions in 2003.
- Establish fully supported and integrated Technology Centers.
- Receive applications and publish patents electronically in 2003.
- Exceed our customers' quality expectations, through the competencies and empowerment of our employees.

Although our goal is to achieve a cycle time of 12 months for all inventions, unanticipated growth in patent application filings and restricted use of fee income will negatively impact our ability to meet 2001 performance targets. With the available resources we will attempt to address our growing workloads, meet the timeliness provisions of the AIPA legislation, and continue to improve customer satisfaction with the quality of our products and services. Although a result of the strategic planning effort may be that our goals and objectives will be revised, we will continue to focus on key concepts such as enhancing the quality of our products and services, maximizing customer's effective term, enhancing employee satisfaction, and activating an e-commerce environment.

Table 2

**Operational Budget**  
(Dollar amounts in thousands)

	Fiscal Year 1999 Actual		Fiscal Year 2000 Currently Available		Fiscal Year 2001 Request	
	FTE	Dollars	FTE	Dollars	FTE	Dollars
<b>Patent Process</b>	<b>4,336</b>	<b>\$512,182</b>	<b>4,910</b>	<b>\$575,490</b>	<b>5,497</b>	<b>\$658,116</b>
<b>Information Technology</b> <sup>5</sup>	<b>217</b>	<b>\$91,943</b>	<b>228</b>	<b>\$93,249</b>	<b>228</b>	<b>\$114,809</b>
Development		15,017		12,504		12,980
Operations		76,926		80,745		101,829
<b>Resource Management</b> <sup>6</sup>	<b>200</b>	<b>\$22,502</b>	<b>224</b>	<b>\$25,583</b>	<b>224</b>	<b>\$35,955</b>
<b>Patent Total</b>	<b>4,753</b>	<b>\$626,627</b>	<b>5,362</b>	<b>\$694,322</b>	<b>5,949</b>	<b>\$808,880</b>

For fiscal year 2001, we propose a budget of 5,949 FTE and \$808,880,000. This represents an increase of 587 FTE and \$114,558,000 over the fiscal year 2000 operating budget or 482 FTE and \$96,428,000 over the fiscal year 2001 base. Cost estimates also include our share of resource management and information technology infrastructure costs, computed in accordance with our activity-based cost accounting model. The corresponding increase in patent application filings represents a 12 percent increase or a projected fiscal year 2001 incoming workload of 335,400 utility, plant, and reissue (UPR) applications, compared to the fiscal year 2000 revised estimate of 299,400<sup>7</sup>. This increase in the growth of UPR applications filed is 21 percent when compared to the estimate in the fiscal year 2000 budget request level.

<sup>5</sup> Cost estimates for development and operations are burdened with the Patent Business' share of enterprise information technology infrastructure, and distributed in accordance with our activity-based cost accounting model.

<sup>6</sup> Cost estimates include information technology development and operations as burdened and distributed in accordance with our activity-based cost accounting model.

<sup>7</sup> Based on fiscal year 1999 filing levels and initial 2000 estimates, fiscal year 2000 UPR filing levels could reach or exceed 305,000, or 12 percent over 1999 filing levels.

## ***Manage Growth While Improving Processing Times***

### **To enhance our operational capacity by increasing our examining and support staff cadre of professional and clerical staff**

For this effort, we request an increase of 248 FTE and \$21,495,000, broken down as follows: (1) 198 FTE and \$15,000,000 to increase our examining staff to 3,161 examiners and 244 supervisory examiners; (2) 50 FTE and \$2,000,000 to increase our technical support and clerical resources ; and (3) \$4,495,000 to provide resources for printing 168,300 UPR patents.

The requested increase in examining staff is driven by the level of filings in fiscal year 2001 estimated at 335,400. The hiring plan supporting this increase augments the number of examiners by 200 (566 new hires, offset by 366 attritions) and the number of supervisory examiners by 14. This increase provides adequate resources for compensation, recruitment bonuses to qualified applicants, and examiner workstations.

The requested technical support and clerical staff increase is to align resources, Federal employees and contracted personnel combined, to provide the needed technical support to examiners and to perform tasks integral to the patent production pipeline parallel to examination. These include file room management, copying services, data entry, file retrieval, application scanning, library services support, etc.

Over time, increasing application filing levels have led to more patent disposals and issues and will continue to do so, as illustrated in Table 3 below. This, and a higher allowance rate resulting from process improvements, will produce 168,300 patents issued in fiscal year 2001.

**Table 3**

#### **Performance Results at the Requested Level of Funding<sup>8</sup>**

	<b>FY 2001</b>	<b>FY 2002</b>	<b>FY 2003</b>	<b>FY 2004</b>	<b>FY 2005</b>
Number of patent disposals	256,400	276,400	296,700	325,000	343,400
Average Cycle Time (months) <sup>9</sup>	13.6	14.2	14.9	15.7	16.6
Average Pendency (months)	26.6	27.5	28.8	30.1	31.7
Pending applications awaiting examiner action (EOY)	383,700	469,300	572,000	707,300	871,700

<sup>8</sup> These performance results assume full funding in the outyears (inflationary adjustments as well as resource increases commensurate with growth in workloads.

<sup>9</sup> As noted above, cycle time is one metric for measuring PTO processing time. Based on customer input, the requirements of the AIPA, and the Patent Business strategic planning process, we expect to revalidate our metrics for processing time.

In addition to increasing the size of our examining and support staff, we will also build on our successes from the Patent Reengineering Lab. We request an increase of \$1,000,000 to continue experimenting with programs that increase our operational efficiencies and link to our strategic goals. To address the increase in UPR filings, we will explore the feasibility of using different means and resources to accomplish search and examining activities, thereby shifting the examining corps' focus solely to critical aspects of patentability determinations. Additionally, we will begin planning for a virtual examination center, processing selected applications in a remote on-campus location. Based in our Lab environment, this virtual examination center will test and define the requirements of an e-business operation and may lead to our future of telecommuting and satellite offices. With respect to our legislative changes, the effects of the AIPA will require the Patent Business to integrate the requirements of Pre-Grant Publication with our current patent operation, streamlining and redefining our core business process. Lastly, we will continue to creatively solve many of our processing shortcomings in the business method application areas to maximize the applicant's term.

### **Board of Patent Appeals and Interferences**

An increase of 2 FTE and \$200,000 is requested for the Board of Patent Appeals and Interferences. The Board is responsible for hearing and deciding appeals from adverse decisions of patent examiners concerning applications for patents, conducting interference proceedings, and making final determinations on questions of priority of invention and patentability. In fiscal year 1998, the Board disposed of 4,091 appeals. In fiscal year 1999, the Board disposed of 4,585 appeals, representing a 12 percent increase in productivity over fiscal year 1998. The Board is projecting a further increase in productivity to approximately 4,850 appeals in fiscal year 2000.

In fiscal year 2001, the Board is projecting to receive approximately 5,039 new appeals, which represents a 22 percent increase over that projected in fiscal year 2000. This increase is primarily due to the significantly larger number of patent applications being examined by the Patent Examining Corps. As a result, the Board will need to further increase its staffing in order to provide the capability to process these appeals. With this increase in staffing, the Board is projecting that it will be able to dispose of approximately 5,400 appeals.

This staffing request is absolutely needed if the Board is to achieve its commitment to the Department of Commerce's Inspector General's Office to reduce the level of appeals awaiting decision to a six-month level by fiscal year 2003. In fiscal year 1998, 26 Board-months were required to decide all pending appeals. In fiscal years 1999, the Board-months required to decide all appeals was reduced to 22. In fiscal year 2000, this number is projected to further decrease to 19. With this planned increase of staffing, the Board-months required to decide all pending appeals should further decline to approximately 16 months in fiscal year 2001.

## ***Quality and Customer Satisfaction***

### **To improve the quality of our products and services based on customer feedback.**

Congruent with the Commissioner's emphasis on a PTO-wide quality management effort and recognizing that enhancing the quality of the examination process would have a major impact on customer satisfaction, we are placing high priority on quality improvement activities. Our objectives include continuously assessing our customers' quality expectations and utilizing customer feedback as an indicator of success, facilitating communication and sharing information among our employees, fostering teamwork and cooperation throughout the Patent Business, and attracting, training, and retaining high-performing employees. In order to enhance our efforts to increase the quality of our products and services and thereby improve customer satisfaction to 75 percent in 2001, we request an increase of 111 FTE and \$24,004,000. This increase includes the following key components for improving quality and customer satisfaction.

### **Customer Satisfaction**

An increase of 86 FTE and \$13,943,000 is requested for activities that focus on increasing customer satisfaction. The Patent Business has carefully analyzed customer interests and performance expectations obtained from a variety of feedback fora, including customer surveys, focus sessions, roundtable discussions, and town hall meetings. The 1999 customer survey questionnaires were mailed to over 7,500 patent customers. The survey results were very positive, showing that overall satisfaction with our performance increased by approximately five percent, to 57 percent. It also showed that the Patent Business performance improved in 27 of 29 comparable survey items. Areas of greatest improvement from 1998 included the length of time until the filing receipt is issued, perceptions about fees, customer service areas (directing calls to proper office/person, returning calls within 1 business day), examination quality and handling of mistakes. Despite the gains, with overall satisfaction at 57 percent and many of the key drivers of customer satisfaction in the 40-60 percent satisfied range, there is still room for improvement. The most important customer satisfaction predictors requiring improvement were timeliness in mailing correct customer filing receipts, matching faxes with files, flexibility of staff in meeting customer needs, efficiency of the examination process, and length of the application process. We acknowledge these opportunities for improvement and are proposing to expand our in-process quality review and enhance our customer assistance program as follows:

Quality assurance program — This program includes in-process customer satisfaction reviews of examiner office actions by our Quality Assurance Specialists working within the Technology Centers. Customer satisfaction reviews are based on compliance with the Patent customer service standards of clearly communicating the examiner's position on issues in a patent application during *ex parte* prosecution and evaluation of the thoroughness of the examiner's search. These specialists review a statistically valid sample at the level of Technology Center, reviewing a minimum of 380 actions per Technology Center annually. Information from these reviews provides the basis for developing training programs to address areas of deficiency and make process changes to improve quality.



The Office of Patent Quality Review (OPQR) supports this effort by performing an independent customer satisfaction review of a small sample of cases reviewed by the Technology Center Specialists to validate their completed reviews. Similarly, the Center for Quality Services (CQS) supports this effort by contacting the inventors (or their representatives) of a small sample of the cases reviewed by the Technology Center Specialists and having the customers review the examiner office actions using the same standards as the Specialists have used. Aside from this in-process customer satisfaction review program, the Office of Quality Review conducts an in-process quality review, which looks at the accuracy or correctness of the patentability determinations of the examiner during ex parte prosecution. This review is similar to the end-product reviews traditionally conducted by OPQR with respect to allowed applications. (See the discussion under the Office of Patent Quality Review.)

**Customer Service Representatives**— These are individuals dedicated to serve as points of contact with customers from receipt of a customer inquiry to resolution of the issue presented. Responsibilities include logging and tracking each inquiry, analyzing the logged data to identify trends, investigating root causes, and recommending corrective action. The customer service representatives' database coupled with the in-process review findings will be utilized to monitor each Technology Center's progress toward customer service goal accomplishment, identify opportunities for improvement and conduct focused training.

**Focus on Examiner Coaching** — To enable supervisory patent examiners (SPEs) to focus on coaching their staff for better customer service and quality of work products in their work groups, we are proposing to establish office manager and assistant positions within Technology Centers to take charge of administrative responsibilities currently performed by supervisors. This program was piloted in fiscal year 1999 and demonstrated that for every office manager and assistant team, one full supervisory FTE would be freed up for examiner coaching. Therefore, the resources requested for fiscal year 2001 are expected to redirect 11 FTE to the quality improvement programs discussed in this section.

**Partnering with our customers for better quality**— This activity entails mailing the proof copy of a patent (after the initial data capture is completed and before the patent is published) to the applicant for review and correction before final publication. Partnering with our customers in this phase of the patent examination process will ensure that the issued patent is free of error and meets customer expectations. Aside from the quality improvement aspect, the requested increase includes an offset of resources in the Certificates of Correction branch of the Office of Publications, which projects a drop in the number of corrections requested as a result of this new approach.

The requested resources will adequately fund the above-delineated programs and will improve overall customer satisfaction in fiscal year 2001 to 75 percent. Specifically, improvements are expected in the following key standards: directing calling customers promptly to the proper office or person, from 64 percent in fiscal year 1999 to 80 percent in fiscal year 2001; returning customer telephone calls within one business day, from 57 percent in fiscal year 1999 to 80 percent in fiscal year 2001; setting forth clearly in written communications, the technical, procedural, and legal position of the examiner, from 63 percent in fiscal year 1999 to 80 percent in fiscal year 2001; and conducting thorough searches, from 64 percent in fiscal year 1999 to 80 percent in fiscal year 2001.

In addition to the above-described quality and customer satisfaction improvement activities in the national arena, the requested increase includes resources for improving the quality of processing international PCT cases. By adding four full-time equivalent positions to the staff in the PCT Legal Affairs Office and the PCT Special Program Office, these offices will have the required capacity to provide the desired level of legal advice, training, and assistance to our examiners and paralegals handling PCT cases thus improving the quality of our PCT products and services.

## Training

A major component of our emphasis on quality is reflected in the training of examiners. The Patent Business recognizes that training examiners is a critical component for achieving a high-performing workforce and requests an increase of 17 FTE and \$2,345,000 in fiscal year 2001. With these resources, we will:

- Provide Patent Examination Initial Training to 566 new examiners. This program delivers approximately 200 hours of formal classroom instruction to all new examiners. Retired primary examiners will be hired to conduct this training thereby freeing supervisory patent examiners (SPEs) from this responsibility.
- Establish examiner-trainer positions to provide tailored on-the-job training to less experienced examiners. This training program was piloted in fiscal year 1999 and resulted in measurable improvements in the quality of the work product. These work products were rated higher than the Examining Corps average.
- Continue to offer the Examiner Education Program, whereby examiners visit various industry research and development sites to keep abreast of current technological advances.
- Offer technology training as in-house courses during duty time and off-site graduate courses during non-duty time. For duty hour training, we will organize on-site lectures about technology given by either PTO employees or outside experts. Off-site seminars and conferences will emphasize job-related areas of technology.
- Offer legal training for examiners, including lectures on current intellectual property topics of interest to all examiners, as well as PCT training. In addition, we will organize on-site courses on Patent Law and Evidence and Legal Method, designed to keep examiners abreast of rule changes and policies that alter the examination process. Legal training includes a series of training modules in practice and procedure for first year examiners.
- Offer tuition assistance for enrollment in non-duty hours Legal Studies as well as advanced Technical Training programs available through accredited institutions.
- Offer training in the application of automated tools intended to facilitate examiner access of information databases and communication with customers.
- Provide training in various in-house and external search systems as well as in several custom applications and specialized word processing packages. (These are in addition to the standard agency-wide training for the suite of office productivity tools, such as e-mail and word processing.)

- Provide access to all examiners to the courses offered by the Patent Academy, Office of Human Resources, and Office of Civil Rights.

### Employee Satisfaction

Employee ownership and accountability for the benefit of the customer characterize the Patent Business environment in fiscal year 2001. The Patent Business views the skills, knowledge, and abilities of employees as the most valuable resource. By providing opportunities for employees to expand their professional competencies and experience personal growth and development in their careers, we are developing a diverse and expert staff who genuinely are interested in, and capable of, supporting and helping our customers get patents. As employee satisfaction increases, PTO expects customer satisfaction to increase too. The fundamental purpose behind our human resource management practices is to help build organizational capabilities to support our business goals and objectives by aligning organizational values, business strategies, and core competencies. Our proposed approach to human resources management includes the comprehensive training and special skill-enhancement programs discussed above.

### Classification and Searching

An increase of 8 FTE and \$7,338,000 is requested for classification and search activities that include the following components:

Classification of foreign patents — Foreign patents are an important prior art resource for patent examiners. Currently, our automated search systems do not provide patent examiners with access to foreign patents by the U.S. Classification System. The Web Examiner Search Tool (WEST) 2.0, which is scheduled for deployment in the second quarter of fiscal year 2000, will provide electronic access to a limited set of foreign patents from 1979-1995 in the US Classification system. The requested increase includes resources for the development and refinement of electronic presumptive classifications applied to newly received foreign patent documents, development and maintenance of concordances for generating presumptive classifications, and continued refinement of the foreign patent data base. This activity would ensure the completeness of prior art searching and, therefore, would contribute to improving the quality of searches, a key driver of customer satisfaction.

Commercial databases — A crucial portion of the examination process is the search by an examiner for prior art pertinent to the invention claimed in an application. The “search” is an investigation of relevant patents and non-patent literature (technical journals, manuals, etc.) to determine if a claimed invention is new, useful, and non-obvious. In performing the search, an examiner relies on “prior art,” the body of public knowledge (which includes patents, non-patent literature, and common practice) known at the time the invention was created. Several planned activities focus in whole or in part on this vital phase of the examination process. With each new application an examiner must conduct a search of the relevant patent and non-patent literature (NPL). For many emerging technologies, such as Biotechnology, and Computer Software and Hardware, commercial databases provide the most relevant sources of prior art. The availability of non-patent literature in electronic form from commercial databases is also proving to be of increasing value for traditional technologies. This activity is directed toward the improvement of examination search quality by expanding the sources of electronic non-patent literature and supporting an increasing number of patent examiners.

Information Technology Resource Providers (ITRP)— The PTO continues to develop and deploy new automated search tools to improve the scope and depth of prior art searching by patent examiners. This program plays a critical role in the creation, development, and delivery of training for patent examiners on new automated search tools. In addition to developing training manuals and guides for use across the organization, the IT resource providers conduct technology specific training sessions tailored to the specific requirements of patent examiners in varying arts. They also serve as on-site experts for assistance to examiners, as well as consultation and coaching in the use of office automation tools, databases, and other information technology related issues.

Foreign patent data searching— This activity serves to provide an electronic source of foreign patent data for searching. This database will contain English-language abstracts, patent family information, detailed classification schema, and other information unavailable through PTO databases. Making this database available to our examiners would enable examiners to identify all published documents under the PCT minimum documentation requirements and would provide the English-language abstract of those documents.

### Office of Patent Quality Review

An increase of 3 FTE and \$378,000 is requested for the Office of Patent Quality Review. This increase is congruent with the Department of Commerce Inspector General's Report to Congress, dated September 30, 1997, which included recommendations for improving the sampling and effectiveness of our independent quality review of allowed cases. In response, the OPQR completed an analysis last year to determine a sample size that is statistically valid and has taken actions to augment the OPQR staff to enable maintaining a satisfactory sample size. The requested increase provides additional resources to maintain a statistically valid sample size at the workgroup level. With the number of allowed cases increasing by more than 20 percent in fiscal year 2001<sup>10</sup> and the concurrent growth in the number of workgroups within the Patent Technology Centers, this increase in resources would enable the Office of Patent Quality Review to cope with reviewing the increasing sample size.

The other component of this recommendation was to expand the patent quality review process to include the review of first actions and other work products that may be meaningful to patent managers. As discussed under the Patent Quality Assurance program above, the OPQR effort to address reviews of in-process work products includes two components. The first covers the review of *ex parte* office actions for customer satisfaction standards. The second includes reviews of *ex parte* office actions employing criteria for measuring the accuracy and correctness of the patentability determination by the examiner.

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<sup>10</sup> Total disposals in fiscal year 2001 are projected to be 256,400 compared to 235,600 in fiscal year 2000.

## ***Legislative Developments***

Our estimate for implementing the American Inventors Protection Act (Public Law 106-113) is 125 FTE and \$21,777,000<sup>11</sup> for fiscal year 2001. This recently-enacted patent reform legislation offers protection against unscrupulous invention promoters; provides a limited “first to invent” defense against patent infringement; extends patent term to compensate for certain processing delays; provides for early publication of patent applications also filed abroad; improves reexamination procedures; and provides the PTO with operational and financial flexibilities. Further information related to major proposals within the bill are discussed below:

- *Patent Term Extension:* Subtitle D of the American Inventors Protection Act of 1999 provides a patent term guarantee that would ensure that diligent applicants maximize patent term. An adjustment of the patent term is based on a guarantee of prompt PTO responses. The patent term will be extended day for day for any action beyond (a) a rejection or notice of allowance within 14 months of filing, (b) a response to applicant's reply to a rejection or an appeal taken within 4 months, (c) an act on an application within 4 months of a decision of the Board of Patent Appeals and Interferences or a decision of the Federal courts or, (d) a patent issued within 4 months of payment of issue fee. Additional resources are requested to handle the large number of petitions and requests for reconsideration involving patent term extension determinations that must be promptly handled. As noted above, this legislation may require us to develop new metrics for measuring processing times.
- *Pre-Grant Publication:* Subtitle E of the American Inventors Protection Act of 1999 provides for the publication of patent applications which have been published abroad at 18 months from the earliest effective filing date, subject to certain exceptions. Additional resources are requested to modify existing automated systems to a) recognize when an application meets the requirements for publication, b) prepare the application for publication, c) electronically publish the application, d) electronically disseminate the published application, and e) provide electronic access to the published application from within the Patent Search Room. In addition, resources are requested to classify these applications prior to placement in the electronic search files.
- *Expanded Reexamination:* Subtitle F of the American Inventors Protection Act of 1999 provides for the reduction of patent litigation by expansion of current reexamination procedures. This title expands third party participation in reexaminations to include interviews and all patent owner responses, provides for a third party right of appeal and for an estoppel provision applicable to third party requesters. Additional resources are requested to accommodate the expected increase in requests for reexamination. These additional resources are patent examiners, legal advisors, administrative patent judges for the Board of Patent Appeals and Interferences, and attorneys for the Office of the Solicitor.
- *Performance-Based Organization:* Subtitle G of the American Inventors Protection Act of 1999 alters the organization of the PTO by establishing two distinct organizations to address patent and trademark concerns. The PTO is subject to the policy direction of the Secretary of Commerce, who will appoint a Deputy Under Secretary of Commerce for Intellectual Property and Deputy Director of the United States Patent

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<sup>11</sup> The requested increase is broken down as follows: (1) 118 FTE and \$20,006,000 for the Patent Business, (2) \$128,000 for the Trademark Business, (3) \$974,000 for the Information Dissemination Business, (4) 7 FTE and \$631,000 for the Policy Function, and (5) \$38,000 for Corporate Support function.

and Trademark Office, a Commissioner for Patents, and a Commissioner for Trademarks. However, PTO is responsible for management and administration of operations. The agency is now headed by an Under Secretary of Commerce for Intellectual Property and Director of the United States Patent and Trademark Office, who is appointed by the President. Also established are nine-member patent and trademark public advisory committees to advise the Director on agency policies, goals, performance, budget and user fees. In addition to these organizational changes, the bill also provides personnel and procurement flexibilities, ensuring more effective and modern management.

## ***Information Technology***

No increase is requested for the development of patent systems in fiscal year 2001. The projects outlined below will contribute to our goal of reducing cycle time to 12 months or less for all inventions when fully integrated into the examination process. A more detailed description and milestones relating to these projects can be found in our *Strategic Information Technology Plan*.

- ***Patent Application Capture and Review System (PACRS)*** - An earlier version of this system -- the Patent Image Capturing System (PICS) -- has been providing timely capture of application images and automated support of certification and licensing and review functions since April 1997. The expansion of scanning technology since then has facilitated the capture of application papers that will be needed to feed electronic examination. The system today focuses on automated OCR capture of the full text of patent applications received, automated capture of bibliographic data from applicant-supplied standard data sheets with subsequent automatic loading into the Patent Application Location Monitoring (PALM) system, automated first level licensing and review screening, and automated classification for initial routing to the Technology Centers. PACRS has begun to lay the foundation for processing patent applications into intelligent documents that will support parallel on-line examination systems as well as automated publication systems. This system directly supports our goal of receiving applications and publishing patents electronically for the first Technology Center in fiscal year 2002, and for all centers in fiscal year 2003.
- ***Tools for Electronic Application Management (TEAM)*** - In order to mitigate risk, refine the requirements, and validate the assumptions of the reengineered patent process, we are developing a series of prototypes before developing the complete automated information systems, which will fully support the electronic work place of the future. Initial prototypes have already been piloted in one Technology Center of the Patent Business. This prototype validated the capability to accept patent documents in paper form or on disk, capture and manage the necessary bibliographic data, organize the documents into electronic file wrappers, and then support all examiner processing and communication requirements. During fiscal year 1998 the TEAM project was created in order to move the prototype closer to a production system. An executable prototype for TEAM is presently under development and will be implemented during fiscal year 2000. This prototype will allow us to further refine the functionality needed in a full production environment. In fiscal year 2001, we will begin development of a production system, building on the knowledge learned from experiences and accomplishments of the earlier pilot and prototype efforts.

- ***Electronic Filing System/PatentIn***

***Electronic Filing System (EFS)*** - This project will define the requirements and procedures to develop and implement a system to create, receive, and accept filing of U.S. patent applications, PCT applications, and other related papers electronically. EFS will interface with the Electronic Mailroom, ACRS, and the Revenue Accounting Management system (RAM), TEAM, and PCT Automation/Operations Workflow and Electronic Review (POWER). An earlier prototype for electronic filing validated the concept of applicants' submitting patent applications to the PTO using Commercial-Off-The Shelf (COTS) software packages, and the concepts in the draft Implementation Guide for Electronic Filing. The concepts contained in the Guide will allow the applicant community, third party developers, and the Office to use electronic filing to exchange electronic documents. Accordingly, the Guide presents a high-level view of "how electronic filing will work" without including a large amount of technical detail. The first release of EFS was a pilot for the filing of utility applications at the end of 1999. The electronic filing pilot will be expanded to include all communications with applicants. The pilot will allow us to incorporate lessons learned toward a production system for both national and international applications. This project directly supports our *High Impact Agency commitment* of receiving applications and publishing patents electronically for the first Technology Center in fiscal year 2002, and for all Centers in fiscal year 2003.

***PatentIn*** - PatentIn provides an efficient and convenient means through which applicants may create a Sequence Listing to comply with U.S. and international filing requirements for biotechnology patent applications containing nucleic and amino acid sequence information. The PatentIn project involves multiple stages, including the development of a Web browser application, as well as Windows and DOS versions. PatentIn will provide value to applicants by enabling them to use the Internet to obtain up-to-date software products through the PTO Internet site as well as help support the electronic filing of sequence listings. The continuation of this project through fiscal year 2000 will facilitate the forward movement toward receiving applications and publishing patents electronically.

- ***International Priority Document Exchange (IPDE)*** – As a PCT Receiving Office, the PTO processes international application documents. A certified copy of prior applications must substantiate priority date claims in international applications. These copies are referred to as priority documents. Since the PTO is the single largest provider of priority documents to WIPO, streamlining the process for exchanging electronic documents will benefit both organizations. The IPDE will accomplish the delivery and receipt of priority documents with data security, since unpublished patent applications must be kept confidential. The first phase, designed to demonstrate the fundamentals of exchange of digital priority documents using transportable media, was completed in January 1998. The second phase, to be carried out in fiscal year 2001, is designed to test standards and support technology to exchange digital priority documents using the trilateral network. The third phase, scheduled for fiscal year 2002, puts into production the exchange of priority documents using a network.

Operational benefits that the PTO expects to receive from these automation projects include the elimination of many manual processes such as hand delivery of paper files. With automation, manual data entry is reduced and files can be retrieved quickly via electronic search to be rapidly sorted, reviewed, and routed. These files can then be shared to allow concurrent processing. Using desktop workstations, examiner searches for reference data can be performed quickly and the examiner can subsequently produce correspondence with the applicant using a suite of electronic

forms. With files stored electronically, the status and location of applications can be provided to an applicant almost instantaneously, customers can establish priority in foreign filing more quickly, and formalities review and examination can be conducted more efficiently.

Aside from process improvements, projects like EFS and TEAM will increase the quality of the examination process. EFS will assist the applicant by screening the application for some legal formalities. TEAM will allow examiners to use word-processing functions to work with specifications, which may number over 100 pages, with some up to 1,000 pages long. This capability will allow the examiner to more easily search the specifications for terms and concepts that support the claimed invention, thus helping to maintain the clarity of the issues at hand. This capability will likewise enhance the ability of the examiner to search for and block any new matter contained in subsequent amendments to the application, which is not permissible.

Complementing the electronic processing of applications will be the Office Action Correspondence Subsystem (OACS). OACS allows users to generate PCT and US forms electronically with all of the necessary bibliographic data already loaded. Automatic form generation will strengthen the consistency of office communications with the public, while the automated insertion of PALM data will minimize the mistakes inherent in re-keying data by hand.

Finally, all program increases include the funds needed to provide new employees with access to our office automation capability. This access is ensured by the Chief Information Officer's organization through the acquisition of office automation software licenses; the preparation and installation of the workstation; and installation and connection to our network (PTONet) and our office automation servers. Requested resources would also fund the required technical support services (desktop workstation maintenance, help desk and software support, troubleshooting, etc.), as well as maintenance of the software licenses, network components, and office automation servers.



## ***Fiscal Year 2001 Performance Goals and Targets***

Our fiscal year 2001 request is designed to address the PTO goals and objectives included in the Department's Strategic Plan. The longer-term performance results of our business will provide our customers with the highest level of quality and services. The performance indicators delineated in Table 4 will measure the success of our business in fiscal year 2001. This table is based upon information drawn from internal automated workload tracking systems, customer and employee surveys, the ongoing cost accounting effort, and internal projections.

**Table 4**

<b>Performance Targets</b>					
<b>Performance Goal:</b> Grant exclusive rights, for limited times, to inventors for their discoveries	<b>Baseline<sup>12</sup></b>	<b>FY 1998 Performance</b>	<b>FY 1999 Performance</b>	<b>FY 2000 Target</b>	<b>FY 2001 Target</b>
<b>Effectiveness Measure:</b> Number of inventions filed <sup>13</sup> (Number of UPR applications filed)	158,427 (191,116)	201,777 (240,090)	219,288 (272,221)	241,200 (299,400)	270,100 (335,400)
<b>Customer Satisfaction Measure:</b> Overall percent customer satisfaction	50	52	57	70	75
<b>Employee Satisfaction Measure:</b> Overall percent of employee satisfaction	41	47 <sup>14</sup>	*	75	*
<b>Productivity Measure:</b> Number of weighted applications disposed (per examiner FTE)	87.2	89.4	81.0	91.6	86.2
<b>Efficiency Measure:</b> Workload cost indicator <sup>15</sup>	\$2,500.00	\$2,379.44	\$2,494.20	\$2,646.99	\$2,761.59
<b>Quantity Measures:</b> Number of applications (UPR) disposed per year (includes SIRs) Number of patents (UPR) issued per year	180,196 105,529	203,227 140,159	219,556 143,686	235,600 165,800	256,400 168,300
<b>Quality of Output Measures:</b> Average cycle time of inventions processed (months) <sup>16</sup> Percent of inventions achieving 12 month or less cycle time <sup>17</sup>	14.6 47	16.9 32	12.9 62	10.2 80	10.0 85

\* Survey is conducted every two years.

<sup>12</sup> Baseline measures are derived from fiscal year 1996 actual performance results except for the workload cost indicator estimates, which are based on preliminary activity – based cost accounting models of fiscal year 1997 actual cost accounting data.

<sup>13</sup> Inventions exclude Rule 60 and 62 continuations and requests for continuing prosecution under Rule 129.

<sup>14</sup> Survey conducted in 1998 using the Office of Personnel Management's Organizational Assessment Survey. Results reported for employees in the Office of the Assistant Commissioner for Patents are based on the question "Considering everything, how satisfied are you with your job?"

<sup>15</sup> The workload cost indicator measures each business area's composite productivity rate, which is the ratio of costs per composite output unit of goods or services provided. This ratio is derived by using total business area costs as the numerator and the actual composite workload number, weighted total of key outputs, as the denominator.

<sup>16</sup> The 2000 and 2001 performance targets of 10.2 month and 10.0 month cycle time will not be reached due to unprecedented workload growth and restricted use of fee income. We are projecting cycle time to increase to 13.1 months in 2000 and 13.6 months in 2001.

<sup>17</sup> The 2000 and 2001 performance target of 80 percent and 85 percent of inventions achieving 12 month or less cycle time will not be achieved due to unprecedented workload growth and restricted use of fee income. We are projecting 59 percent of inventions achieving 12 month or less cycle time in 2000 and 54 percent in 2001.

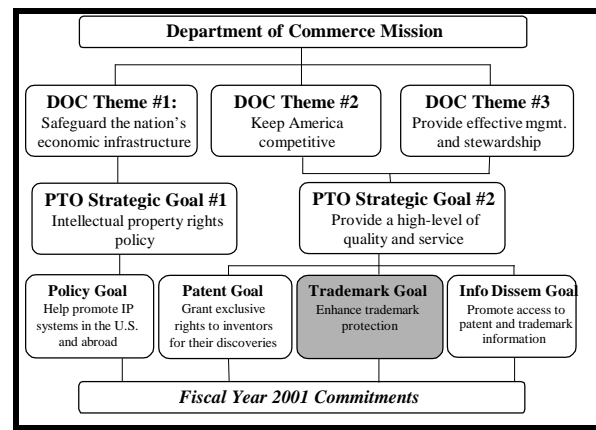
Table 5

**Key Objectives**  
1998 through 2001

<i>1999 Accomplishments</i>	<i>2000</i>	<i>2001</i>
<ul style="list-style-type: none"> <li>Hired 801 patent examiners to keep pace with rising workloads and attained 12.9 months cycle time.</li> <li>Began to increase production by transitioning examiners out of PCT, Petitions, and PAC activities.</li> <li>Conducted customer surveys and achieved a 5 percent increase to a 57 percent satisfaction level.</li> <li>Increased partnership with customers (Biotechnology and Semiconductor partnerships, 3<sup>rd</sup> Independent Inventor's Conference).</li> </ul>	<ul style="list-style-type: none"> <li>Hire patent examiners to maintain 1999 staffing and production levels and attain 13.1 months average cycle time for inventions.</li> <li>Continue transitioning examiners out of PCT, Petitions, and other non-examining activities.</li> <li>Reduce the backlogs at the Board of Patent Appeals and Interferences.</li> <li>Focus on quality improvement activities and achieve 75 percent customer satisfaction in four standards, thereby achieving an overall 70 percent customer satisfaction level.</li> </ul>	<ul style="list-style-type: none"> <li>Hire patent examiners to attain 13.6 months average cycle time.</li> <li>Expand the quality assurance program to review work-in-progress during the examination process as well as after completion of examination.</li> <li>Institute targeted training of examiners addressing common errors identified through the quality review processes.</li> <li>Reduce the backlogs at the Board of Patent Appeals and Interferences.</li> <li>Achieve 80 percent customer satisfaction in four standards, thereby achieving an overall 75 percent customer satisfaction level.</li> </ul>
<ul style="list-style-type: none"> <li>PICS – Expanded image scanning of patent applications to support POWER.</li> <li>EFS XP – Piloted receipt of biotechnology gene sequences over the Internet.</li> <li>POWER (PCT) – Automated PCT Receiving Office operations (Phase 1).</li> <li>EPO Search Report (PCT) – Provided limited electronic access to EPO PCT Search Reports and reference documents.</li> <li>IPDE – Tested exchange of priority documents electronically with Trilateral Partners and WIPO.</li> <li>PAIR – Provided application status via the Internet.</li> </ul>	<ul style="list-style-type: none"> <li>PACRS (PICS/ACRS) – Expand system capability to include image scanning of patent applications to support REPS and TEAM.</li> <li>TEAM – Develop and implement electronic examination prototype.</li> <li>EFS – Pilot electronic filing of US applications.</li> <li>PPP – Prototype electronic photocomposition, publication, and products.</li> </ul>	<ul style="list-style-type: none"> <li>TEAM – Begin development of an integrated system by building upon previous prototypes.</li> <li>EFS – Pilot electronic filing of biotechnology patent applications over Internet.</li> <li>POWER (PCT) – Pilot electronic receipt of PCT applications and automate PCT processing of Chapter II cases (Phase 2).</li> <li>PPP – Pilot Prototype electronic photocomposition, publication and products.</li> <li>IPDE – Continue testing exchange of priority documents with Trilateral Partners and WIPO.</li> </ul>

## Trademark Business

The Trademark Business is one of the PTO's three core businesses. The primary mission of the Trademark Business is to apply the provisions of the Trademark Act of 1946 in the examination and registration of trademarks. Federal registration of a trademark on the principal register is *prima facie* evidence of the validity of the registration, ownership of the mark by the registrant, and the registrant's exclusive right to use the registered mark in commerce in connection with the goods or services listed in the registration. Federal registration is not required in order to use a mark in the United States. However, Federal registration of a mark permits enforcement of intellectual property rights in Federal courts for claims involving infringement, unfair competition, and counterfeiting, and also provides a basis for obtaining protection for the mark in other countries, under various treaties. This valuable intellectual property right provides protection for the owner's business investment in goods and services sold under the registered mark. Thus, our business directly supports the Department's strategic goal to provide effective management and stewardship of our nation's resources and assets to ensure sustainable opportunities.



The core process of the Trademark Business is the examination of an application for trademark registration. In the course of examining an application, a Trademark attorney makes a determination on the registrability of a trademark, prepares actions on objectionable applications, approves a mark for publication in the *Official Gazette*, and in Intent-to-Use (ITU) cases approves the applicant's Statement of Use for registration following a second examination. Based on the Trademark attorney's decision, the PTO issues notices of allowance and certificates of registration.

## The Trademark Business Environment

The growth in trademark application filings continues to increase. The annual growth rate from fiscal year 1992 to 1999 has averaged 12 percent. Filings increased less than four percent between fiscal year 1997 and fiscal year 1998, but the increase from 1998 to 1999 was twenty seven percent. At the time we originally prepared our 2001 request we were projecting annual increases of 10 percent, based on growth of less than four percent from the previous year. Our original request was for a filing level of 281,000 classes of applications in 2000 and 303,000 in 2001. Our revised projection is for 324,700 classes of applications in 2000, and 363,700 classes in 2001.

In order to address our increasing workloads, the Trademark Business hired 137 examining attorneys in fiscal year 1999, increasing its examining corps by 30 percent from 1998 to 367 examiners at the end of the year. As a result of the increase in staff, pendency to first action was reduced by 36 percent to 4.6 months at the end of September. However, due to higher than expected filing levels, we will be unable to achieve our ultimate goal of three month first action pendency.

In addition to increased staffing levels, we have launched a number of management initiatives that are intended to address customer service and quality initiatives and our three month first action goal. For example, attention is being directed towards improved workflow and file management activities that will avoid delays and rework. Actual filings and performance results achieved in the past four years are summarized in Table 6, as are our goals for fiscal year 2000 and fiscal year 2001.

The greatest potential for performance improvement will come from implementing Trademark automation. Automating processing activities in the current production process will reduce pendency time. Separate, task-oriented processing activities currently in use are the result of a complex manual process that is dependent on matching papers to files and updating a data base for all pending and registered files. The opportunity for processing delays and misplacing papers and/or files increases with the rise in pending cases and insufficient staffing. With the projected and real constraints placed on the examination process, reengineering offers the best long-term solution to manage the expected increases in workload. Work is in progress to define the project requirements, process changes, resources, milestone dates and implementation schedules. Having achieved the goal of accepting electronic filings in a pilot project, the implementation of a file management process to facilitate quality and production time improvements is underway. Staff participation in the project development stage will continue to be encouraged.

Four projects that will support reengineering and offer the best opportunity to improve production and ultimately reduce pendency by saving process time in the near future have been identified. Progress has been made towards all four projects. The completion of these projects will allow for all business with trademark customers to eventually be conducted electronically.

The projects are planned to:

1. Capture newly filed applications in an electronic format.
2. Produce full text and image capture for publication of the Trademark Official Gazette (TMOG) with in-house printing of the Trademark registration certificate.
3. Create PC-based Trademark Reporting and Monitoring (TRAM) System data entry/text editing.
4. Replace TRAM.

The first project, piloting data capture through the Trademark Image Capture and Retrieval System (TICRS) has proven somewhat successful although a number of process issues must be addressed before scanning and optical character recognition (OCR) technology can replace data entry. The scanning and capture of incoming trademark data and documents will reduce processing times and improve operating efficiency. Use of OCR technology to convert scanned documents to text affords the elimination of manual data entry and improved quality. Drawing pages that were previously pulled from files to create camera-ready copies for publication printing are now scanned, as are copies that are delivered to the Trademark Search Library. The process has improved as a result, and drawing pages are no longer lost or misplaced. The process has expanded to include scanning all new application papers to test the quality of data, as well as preparing, scanning, indexing, and retrieving papers. The results of the TICRS project are intended to provide the capabilities necessary to manage applications and correspondence in electronic form by capturing and retrieving both incoming and outgoing correspondence. TICRS is the first stage in a process that will ultimately lead to full electronic document processing, the concept for the Trademark Information System (TIS), which is planned to accept and maintain electronic file records.

Standard application filing forms are available on the PTO Web site for applicants to complete and mail now. The Trademark Electronic Application System (TEAS) currently offers on-line help and validation checks to ensure requirements are addressed before the initial application for registration is electronically filed. Additional forms are under development in a TEAS format to make it possible for all forms to be filed electronically. The use of standard forms will improve the process of capturing data and will allow the Office to make greater use of OCR technology by accepting applications in paper form or electronically through TEAS over the Internet.

The second project is the development of in-house camera-ready (text and image) TMOG and printing of registration certificates. The transfer of TMOG materials electronically to the Government Printing Office (GPO) will significantly alter the current process, which requires weekly pulling of drawing pages from files for creation of camera-ready copies to produce the TMOG and registration certificates. The new process will allow for in-house printing of certificates, filling customer requests, or producing certified copies. The ability to produce registration certificates on demand will benefit a number of Office functions and directly support efforts to improve customer service by eliminating delays in processing requests that previously had to be submitted to GPO. This project has demonstrated the capability to produce an entire TMOG record with text and images. Implementation has been delayed pending introduction of the TRAM replacement system and resolution of staffing issues. Implementation offers the potential for printing all trademark registration certificates in-house in the future. Training and staffing issues must also be addressed, as the process change will have a significant impact on current process and skill requirements.

The third project, replacing TRAM, will be completed by April 2000. The TRAM System provides support to all facets of Trademark operations. TRAM operates on the UNISYS A16 computer system and includes a database of bibliographic text and prosecution history data for more than 2.3 million marks. TRAM supports Trademark operations from receipt of a new application in the PTO, processing and examination of the application, photocomposition activities related to the publication of the TMOG, to post registration activities required to maintain registered trademarks. Bibliographic data in TRAM for pending applications and active registrations is updated on a real time basis, is used to produce the Trademark Official Gazette, is sold to the public in machine readable form, and is extracted for use in the automated search system (X-Search). The TRAM System maintains current location and status information on applications and registrations enabling the PTO to promptly determine the status of any file and to locate files in Trademark work areas or the warehouse. Management information produced by TRAM allows Trademark managers to monitor employee production, track and adjust workflow, control backlogs, and review the quality of data stored in the system. TRAM replacement also provides support for business process changes and operational improvements.

The fourth project, developing the electronic Trademark Information System (TIS), will be integrated with reengineered work processes. The Trademark Business plans to initiate development of TIS in fiscal year 2002 and incrementally deploy capability through fiscal year 2004. TIS will eventually accept electronically filed trademark applications, maintain an electronic file for application and registration, perform workflow electronically, record prosecution history and production information, improve search capabilities, photocompose the Trademark Official Gazette and Registration Certificates, and disseminate trademark information. The redeveloped TRAM system will serve as a foundation from which to develop TIS.

## ***The Trademark Business Case***

The prime indicator of the steadfast importance of trademarks for the commercialization of U.S. products and services is the growing number of trademark application filings. (These workload indicators are presented in Table 6.) Registered U.S. trademarks identify a specific source of goods or services and, as such, they can be among the most valuable assets owned by a business. This identifying mark of a product or service also helps consumers to choose between one product and another, and to expect a consistent level of product quality characteristic of the mark. Thus, trademarks have financial and practical value for both the trademark owner and the consumer.<sup>1</sup> Therefore, the ability of our business to handle the growing number of application filings has become increasingly important.

As described above, the PTO made a major push towards enhancing the staffing level of the Trademark Business in an effort to regain its ability to achieve its business goals. The business case supporting the initial fiscal year 2001 budget request focused on maintaining the level of resources necessary to process filings for 339,000 classes. This included maintaining first action pendency at 3.0 months and registration/disposal pendency at 13.8 months, meeting customer service standards and performance targets, and addressing long term operational capability by exploring process enhancement opportunities through information technology and process reengineering. We were focusing on achieving first action pendency in fiscal year 2000 to 3.0 months because of its expressed importance for our customers. A timely first action allows applicants to make early marketing decisions regarding products and services they plan to sell under the mark, thus allowing them a business advantage over competitors. With the unexpected increase in filings received in 1999, and the increases that are now expected in fiscal years 2000 and 2001, we will be unable to meet our pendency goals.

**Table 6**

<b>Key Workload Indicators</b>						
	<b>FY1996</b>	<b>FY1997</b>	<b>FY1998</b>	<b>FY1999</b>	<b>FY2000</b>	<b>FY2001</b>
<b>Applications Received - classes</b>	200,640	224,355	232,384	295,169	324,700*	363,700
<b>Percentage Increase of Applications Received</b>	14	12	4	27	10	12
<b>Statements of Use Filed</b>	25,388	31,784	37,060	34,367	49,500	54,500
<b>Registration Issued - certificates</b>	78,674	97,294	89,634	87,774	124,700	137,300
<b>Registration Issued - classes</b>	91,339	112,509	106,279	104,324	154,000	169,500
<b>First Action Pendency - months</b>	5.9	6.4	7.2	4.6	5.5	6.0
<b>Registration/Disposal Pendency - months</b>	16.5	16.9	17.8	18.9	19.0	19.5

\* Based on final fiscal year 1999 filing levels and initial 2000 estimates, fiscal year 2000 trademark filing levels could reach 331,000, or 12 percent over 1999 filing levels.

<sup>1</sup> The Trademark Business maintains a register of more than 930,000 trademarks providing businesses and consumers notice of marks that are in active use.

## ***Year 2001 Commitments***

All Trademark Business activities planned for fiscal year 2001 support one or more of our High Impact Agency Commitments:

- Render a trademark first action in three months (to be achieved in fiscal year 2000 and maintained in fiscal year 2001).
- Offer electronic filing capabilities to our customers.
- Electronically process trademark applications.
- Enable customers to use the Internet to conduct business electronically.

## ***Business Goals and Objectives***

Our macro performance goal is to enhance trademark protection. This goal focuses on the ultimate outcome or benefit of a registered trademark for the owner and, therefore, serves as the principal driver of the manner in which we set our operational priorities, allocate resources and conduct business. Resources are directed to those activities or new initiatives that would have the greatest impact on the quality, efficiency and effectiveness of the examination process. Performance is measured by the number of applications filed; the number of trademark disposals per FTE; the unit cost of trademarks disposed; actual pendency; the percentage of files that achieve the Office's pendency goals; the level of customer satisfaction; and the level of employee satisfaction. In direct support of our mission and macro performance goal, we have established the following objectives:

- Maximize the business potential of trademarks for customers.
- Enhance electronic communication with customers and electronic processing among employees by transforming trademark processing into a fully electronic operation.
- Enhance electronic processing among employees while creating a balance between work and personal lives of employees by implementing trademark work-at-home.

Similarly, we have delineated the following business goals that cannot be achieved given the increase in filings

- ◆ Reduce trademark application processing time by implementing process changes and leveraging information technology to accomplish the following:
  - Reduce the time to mail filing notices to 14 days.
  - Examine new applications and provide a written communication regarding registrability within three months of the filing date.
  - Determine the registrability of trademarks within 13 months of receipt of the application.

- Issue Notices of Abandonment within 45 days of the date the file is abandoned.
- Mail Certificates of Registration within seven days of registration.
- Centralize the "change of address" function.

We will achieve these improvements by focusing on the following:

Process - Implement the reengineered trademark process design and leverage information technology to automate the process in increments that deliver the highest return on investment.

Training - Train all trademark employees in all aspects of the trademark process.

Education - Provide access to trademark information and trade-related publications to increase employee knowledge and understanding of the process, including the different uses of trademarks in domestic and international markets.

Improve Communication with Applicants.

Statutory - Analyze the nature of office actions and seek to revise the rules or statutes to increase the number of applications completed accurately at time of filing, thereby increasing the percentage of applications that qualify for first action publication for opposition.

Harmonization - Assist the PTO Policy specialists in pursuing international harmonization of trademark laws.



**Table 7**

**Operational Budget**  
(Dollar amounts in thousands)

	<b>Fiscal Year 1999 Actual</b>		<b>Fiscal Year 2000 Currently Available</b>		<b>Fiscal Year 2001 Request</b>	
	<b>FTE</b>	<b>Dollars</b>	<b>FTE</b>	<b>Dollars</b>	<b>FTE</b>	<b>Dollars</b>
<b>Trademark Process</b>	<b>670</b>	<b>\$70,791</b>	<b>942</b>	<b>\$78,916</b>	<b>990</b>	<b>\$86,894</b>
<b>Information Technology<sup>2</sup></b>	<b>78</b>	<b>\$25,538</b>	<b>85</b>	<b>\$25,736</b>	<b>85</b>	<b>\$29,868</b>
Development		3,552		2,562		1,711
Operations		21,986		23,174		28,157
<b>Resource Management<sup>3</sup></b>	<b>43</b>	<b>\$4,928</b>	<b>51</b>	<b>\$5,600</b>	<b>51</b>	<b>\$7,516</b>
<b>Trademark Total</b>	<b>791</b>	<b>\$101,257</b>	<b>1,078</b>	<b>\$110,252</b>	<b>1,126</b>	<b>\$124,278</b>

For fiscal year 2001, we propose a budget of 1,126 FTE and \$124,278,000. This represents an increase of 48 FTE and \$14,026,000 over the fiscal year 2000 operating budget or an increase of 46 FTE and \$10,444,000 over base. Cost estimates also include our share of resource management and information technology infrastructure, distributed in accordance with our activity-based cost accounting model.

### ***Manage Growth***

In fiscal year 2001, 35 FTE and \$3,000,000 is requested to address increasing workloads through hiring additional trademark attorneys and fully funding our pre-examination services and quality assurance contracts. If we were able to hire additional trademark attorneys and technical support staff commensurate with the growth in trademark filings, and exercise alternative accommodation options (such as work-at-home), pendency would be at or near goal. However, with the increase in projected filings and the current level of resources, pendency to first action is expected to be 6.0 months, above our goal of 3.0 months, and pendency to registration or abandonment is expected to increase to 19.5 months.

<sup>2</sup> Cost estimates for development and operations are burdened with the Trademark Business' share of enterprise information technology infrastructure, and distributed in accordance with our activity-based cost accounting model.

<sup>3</sup> Cost estimates include information technology development and operations as burdened and distributed in accordance with our activity-based cost accounting model.

Beyond our hires in fiscal year 2001, requests for increases in personnel will be incrementally reduced relative to filings as the benefits of reengineering and automation begin to be realized. As a result, our operations will become more effective and efficient thereby improving performance and customer service. Examples of manual tasks that will be reduced or eliminated include: mail processing, sorting, and matching; manually moving files through the examination and registration process; and retrieving paper files from the warehouse. Initial process changes started in fiscal year 1998, and full implementation of the reengineered process design is planned for completion in fiscal year 2004. In addition to resource savings realized from reduced pendency, reengineering will yield intangible benefits such as improved levels of customer and employee satisfaction. With the aggregate effect of constraints already placed on the examination process, reengineering offers the best solution for effectively managing the projected increases in trademark application filings.

The Trademark reengineered process design assumes electronic filing; electronic data exchange among applicants, registrants, and the PTO; and electronic file wrappers with a fully integrated electronic file management system to be implemented shortly after the turn of the 21<sup>st</sup> century. Given the required resources, the most significant result expected after full implementation of the reengineered process design would be a further reduction in first action pendency -- the processing time from receipt of a trademark application to first action -- from our current goal of three months to one month early in this decade. Reductions in pendency will be the result of process improvements that will reduce or eliminate the separate manual tasks or activities and process queues that naturally occur in a paper-based manual process. The one-month to first action pendency goal will be realized when a majority of applicants make use of electronic filing and staffing levels are adequate to process and examine the level of filings received.

*Trademark Trial and Appeal Board.* We also are requesting an increase of 10 FTE and \$800,000 in fiscal year 2001 for the TTAB. The Board hears and decides adversary proceedings involving: oppositions to the registration of trademarks; petitions to cancel trademark registrations; proceedings involving applications for concurrent use registration of trademarks; and appeals of a trademark examining attorney's decision not to allow registration. Cases decided by the Board and the pendency of those cases are included in trademark pendency measures. This increase is necessary in order to meet increasing workloads at the Board. As the Board's workloads expand at a rapid rate due to increased production in trademark examination, cases disposed must increase at a greater rate in order to reduce the inventory of pending cases and contribute to the overall pendency goal of the Trademark Business. These resources will provide additional professional staff necessary to handle growing workloads.

## ***Quality and Customer Satisfaction***

We are requesting an increase of 1 FTE and \$111,000 for the Office of Trademark Quality Review (OTQR) to enable us to continue to review a four percent sample of examined trademark applications. This target is consistent with recommendations from the Inspector General. OTQR's performance has been timely, professional and of high quality. We review a four percent random sample of examined trademark applications in various stages of pendency, as well as those which have abandoned or registered to determine the quality of examination. Trademark filings are increasing at an average growth rate of nearly 12 percent since 1992. The increase of one FTE is necessary to handle the increased workload coming from the Trademark organization.

We are committed to improving the level of customer satisfaction as measured by surveys of trademark customers. Based on previous results we have identified critical areas -- clarity and promptness of communication with customers -- that were targeted for immediate improvement. Our training initiatives are designed to create an environment where employees understand the correct course of action to take and thereby improve the methods by which they process requests or respond to customer inquiries. Our education initiatives are increasing employee knowledge of the trademark process so they have a comprehensive understanding of the different uses of trademarks in domestic and international markets. We have begun work on two programs that will address customer satisfaction while improving file management and processing times by addressing the source of problems that create delays and rework. Customer satisfaction survey results make it clear that the key to resolving complaints is our ability to eliminate problems or resolve them promptly when they occur.

Training – Our goal is to train all trademark employees in all aspects of the trademark process and create an environment where employees understand the correct course of action to take thereby improving the methods by which they process requests or respond to customer inquiries. Training programs have been revised to provide instruction for new hires and to create an educated workforce. The formal training program for new examining attorneys was revised beginning with the attorneys hired in fiscal year 1998. The current ten-week program focuses on an analytical approach to examination with topics organized into fifteen modules to improve consistency and prepare examiners to make independent decisions. A formal training program for incumbent and new technical support staff is being developed with an approach that is similar to the program for examining attorneys. Formal training for new managers and supervisors will be developed to focus on understanding and improving core business functions and customer service.

We are also committed to providing access to trademark information and trade-related publications. This access will increase employee knowledge and understanding of the process, including the different uses of trademarks in domestic and international markets, and create informed and responsive employees by increasing awareness of the possible impact of the external environment on trademark operations and the role our business plays in accomplishing the PTO mission.

Improve Communication with Applicants - Provide clearly written answers to questions most frequently asked by customers; resolve customer inquiries through a single contact; provide timely written communications; reduce the number of calls related to process problems; ensure that all materials submitted to the Office are promptly and properly matched with the application or registration; and reduce or eliminate the number of petitions and letters of protest.

Root Cause Problem Solving – A process that employs “root cause problem solving” methodology is underway to identify the source of process errors, to resolve problems, and to provide employees the opportunity to improve process understanding as a means to correct problems. Process problems that have not been addressed through normal channels are being directed to this process for resolution. Data is recorded and a structured methodology is employed to trace the cause of failures to provide service. Once corrective action has been taken, problems are documented to prevent similar failures in the future. The process is a source of valuable information for improvements in workflow and file management.

## ***Information Technology***

Many of our reengineering changes support President Clinton's Framework for Global Electronic Commerce. Among these activities are electronic filing; providing the status of trademark applications over the Internet; and providing access to trademark databases over the Internet. A continued investment in information technology will support the objectives of our business.

An increase of \$1,000,000 is requested to establish an additional examining office that will offer expedited processing and examination, including full use of electronic communications for receiving, processing, and examining electronically filed applications. The goal is to encourage the use of electronic filing and prosecution of applications and registrations by trademark customers and to take full advantage of electronic technologies that have been incorporated into our processes. The TrademarkBusiness will work closely with its unions to establish this new processing environment.

No increase is requested for the development of other trademark systems in fiscal year 2001. The projects outlined below will contribute to the accomplishment of our mission, goals, and objectives.

- **Trademark Electronic Application System (TEAS)**- TEAS provides on-line help and validation for submitting an application for trademark registration electronically using the Internet. The project began as a limited pilot for testing the concept of electronic filing with selected customers in fiscal year 1998. On October 1, 1998, we began accepting applications with payment by credit card for all customers. In the first year of expanded access we received nearly 21,000 applications. The completed system is intended to support the submission of all Trademark application forms electronically. The electronic receipt and transmission of data will reduce the labor intensive processing of paper documents and is a key ingredient to the eventual automated electronic workflow of the Trademark process. With this solution in place, data accuracy has already improved and the preliminary processing of applications for registration are being processed in one-third less time than paper filed applications.
- **Trademark Information System (TIS)**- This project will be integrated with reengineered work processes. The redesigned TRAM system will serve as the foundation from which to develop TIS. TIS will accept electronically filed trademark applications, maintain an electronic file for application and registration, record prosecution history and production information, improve search capabilities, photo-compose the Trademark *Official Gazette* and registration certificates, and disseminate trademark information. Applications submitted in paper form will be converted to electronic form for processing. TIS will allow for the complete electronic processing and file management of applications and related materials and will result in improved quality and greater access to trademark information for examining attorneys and the public.
- **Trademark Work at Home (TWAH)**- TWAH is a two-year pilot under the National Performance Review that began with 18 trademark attorneys working from home three out of five days a week in March 1997. Based on positive results, the program will be expanded to include up to 25 percent of examining attorneys working from home for up to 60 percent of their time. The final evaluation report has been completed and shows that participants in the pilot increased the number of hours on examination, which resulted in improved production results.

- **Trademark Image Capture and Retrieval System (TICRS)**- We receive and process large volumes of correspondence. Currently paper versions of these documents are routed and stored using conventional file systems. The Trademark Scanning project will be expanded to provide the capabilities necessary to manage these documents electronically. The project permits the capture trademark drawings in applications to replace the manual pulling of drawings for use in the Trademark Search Library. Scanning capabilities currently are in place, and will permit the eventual processing of paper files in an electronic form with the implementation of TIS which is planned to be completed in fiscal year 2004.
- **Trademark Search System (TSS)**- The new search component, which replaced X-Search, offers improved access and added functionality to examining attorneys. During fiscal year 1998 - 1999, the new search system was deployed. Additional capabilities include range searching, additional fields, and the capability to stop a search in progress. The new TSS search component has resulted in improved access to trademark information and much faster response time for examining attorneys.

All program increases include the funds needed to provide new employees with access to our office automation capability. Access is provided through the acquisition of a workstation and office automation software licenses; the preparation and installation of the workstation; and installation and connection to our network (PTONet) and our office automation servers. Once access has been provided, funds are included to provide the required technical support services (desktop workstation maintenance, help desk and software support, troubleshooting, etc.), as well as maintenance of the software licenses, network components, and office automation servers.

With the implementation of these projects, employee ownership and accountability for the benefit of the customer will characterize our future environment. Thus, enhancing human resources will be one of the four corporate foundation strategies we are pursuing to meet the goal of providing our customers with the highest level of quality and service. The fundamental purpose behind our human resource practices is to help build organizational capabilities to support our business goals and objectives by aligning organizational values, business strategies, and core competencies. New approaches to human resources management are necessary particularly for recruiting and training new employees. Most importantly, we must prepare the technical support staff for a technologically challenging future in a reengineered and automated trademark examination environment.

## ***Legislation***

The Trademark Law Treaty Implementation Act of 1998 (Public Law 105-330) went into effect on October 30, 1999. The Treaty simplifies and harmonizes the requirements for filing applications and maintaining trademark registrations, which benefit U.S. trademark owners by requiring that member countries dispense with most legalization requirements and limits the list of filing and registration requirements. It also requires member countries to accept multi-class applications and service mark registrations. However, the Treaty increases the requirements for post registration filings.

The PTO prepared for the implementation of the Trademark Law Treaty (TLT) by revising the rules, procedures, workflow processes, and systems necessary to comply with its requirements. Resources were devoted to support the documentation, development, and the information technology changes that were required to administer the Treaty for the Trademark search and data base systems. The legislation implementing the Treaty called for the establishment of three new fees.

Additional legislation that could impact trademark operations by fiscal year 2001:

- The “Trademark Amendments Act of 1999” (H.R. 1565) was signed into law on August 5, 1999, as Public Law 106-43. This law, in part, includes “dilution” as ground for opposition and cancellation in proceedings before the Trademark Trial and Appeal Board.
- The “Madrid Protocol Implementation Act” (H.R. 769) would implement the protocol related to the Madrid Agreement on the International Registration of Marks (adopted June 27, 1989 and effective April 1996). A proposal for the European Union to resolve the voting issue may be accepted soon, clearing the way for the State Department to support the agreement and support legislative action.

## ***Fiscal Year 2001 Performance Goals and Measures***

Performance measures are being used to assess progress towards achieving goals. Evaluation will be based on data collected from automated systems to determine the effectiveness of the measures as well as the results achieved. Results that do not appear to directly influence PTO or Trademark goals will be redefined to more closely match business goals and objectives. For the short-run, productivity and efficiency measures are not expected to improve given the number of new examiners hired to achieve reductions in pendency.

**Table 8**

<b>Performance Targets</b>					
<b>Performance Goal:</b> Enhance Trademark Protection	<b>Baseline<sup>4</sup></b>	<b>FY 1998 Performance</b>	<b>FY 1999 Performance</b>	<b>FY 2000 Target</b>	<b>FY 2001 Target</b>
<b>Effectiveness Measure:</b> Trademark Applications filed – classes	200,640	232,384	295,165	324,700	363,700
<b>Productivity Measure:</b> Trademark disposals per FTE (including Trademark contractors)	221	254	206	194	215
<b>Efficiency Measure:</b> Workload cost indicator <sup>5</sup>	\$385.20	\$472.23	\$557.87	\$495.95	\$472.36
<b>Quality of Output Measure:</b> Actual pendency – first action (months) <sup>6</sup>	5.9	7.2	4.6	3.0	3.0
Actual pendency – disposal/registration (months) <sup>7</sup>	16.5	17.8	18.9	13.8	13.8
<b>Customer Satisfaction Measure:</b> Overall percent of customer satisfaction	64	63	69	80	80
<b>Employee Satisfaction Measure:</b> Overall percent of employee satisfaction	42	49 <sup>8</sup>	*	75	*

\*Surveys are conducted every two years.

<sup>4</sup> Baseline measures are derived from fiscal year 1996 actual performance results except for the workload cost indicator estimates, which are based on preliminary activity-based cost accounting models of fiscal year 1997 actual cost accounting data.

<sup>5</sup> The workload cost indicator measures each business area's composite productivity rate, which is the ratio of costs per composite output unit of goods or services provided. This ratio is derived by using total business area costs as the numerator and the actual composite workload number, weighted total of key outputs, as the denominator.

<sup>6</sup> The 2000 and 2001 performance target of three monthfirst action pendency will not be reached due to unprecedented workload growth and restricted use of fee income.We are projecting first action pendency to increase to six months by 2001.

<sup>7</sup> The 2000 and 2001 performance target of 13.8 month overall pendency will not be reached due to unprecedented workload growth and restricted use of fee income.We are projecting trademark pendency to increase to 19.5 months by 2001.

<sup>8</sup> Survey conducted in 1998 using the Office of Personnel Management's Organizational Assessment Survey. Results reported for employees in the Office of the Assistant Commissioner for Trademarks are based on the question "Considering everything, how satisfied are you with your job?"

**Table 9**

**Key Objectives**  
1999 through 2001

<i>1999 Accomplishments</i>	<i>2000</i>	<i>2001</i>
<ul style="list-style-type: none"> <li>Reduced first action pendency to 4.6 months by hiring 137 trademark-examining attorneys in fiscal year 1999.</li> <li>Completed office renovations and hired additional staff to support the increase to 15 Law Offices and expanded service operations in fiscal year 1999.</li> <li>Conducted customer surveys and achieved a 69 percent satisfaction level.</li> </ul>	<ul style="list-style-type: none"> <li>Seek to minimize first action pendency and pendency to registration/abandonment with higher than planned filings.</li> <li>Conduct customer surveys and achieve an 80 percent satisfaction level.</li> <li>Establish an E-commerce office to receive and prosecute electronically filed applications.</li> </ul>	<ul style="list-style-type: none"> <li>Seek to minimize first action pendency and pendency to registration/abandonment with higher than planned filings.</li> <li>Increase staff at the Trademark Trial and Appeal Board to address increased workloads.</li> </ul>
<ul style="list-style-type: none"> <li>TEAS - Began accepting trademark applications electronically over the Internet. 20,600 applications were received in fiscal year 1999.</li> <li>TICRS – Began scanning all applications, capturing OCR for most applications.</li> <li>TWAH - Evaluated the two-year pilot. Recommended expansion of up to 25 percent of examining attorneys in 2000.</li> </ul>	<ul style="list-style-type: none"> <li>TRAM – Replacement fully operational.</li> <li>TEAS – Expand to include all application forms in an electronic format. Promote the use of TEAS and its benefits; increase the number of electronically filed applications.</li> <li>TICRS – Pilot scanning of incoming correspondence.</li> <li>TTABIS – Deploy electronic workflow in the Trademark Trial and Appeal Board.</li> <li>TWAH – Expand the number of examining attorneys working at home.</li> </ul>	<ul style="list-style-type: none"> <li>TRAM – Expand to meet operational needs.</li> <li>TEAS – Expand to include additional electronic correspondence with applicants. Promote the use of TEAS and its benefits; increase the number of electronically filed applications.</li> <li>TICRS – Deploy scanning of incoming correspondence.</li> <li>TWAH – Expand the number of examining attorneys working at home.</li> </ul>



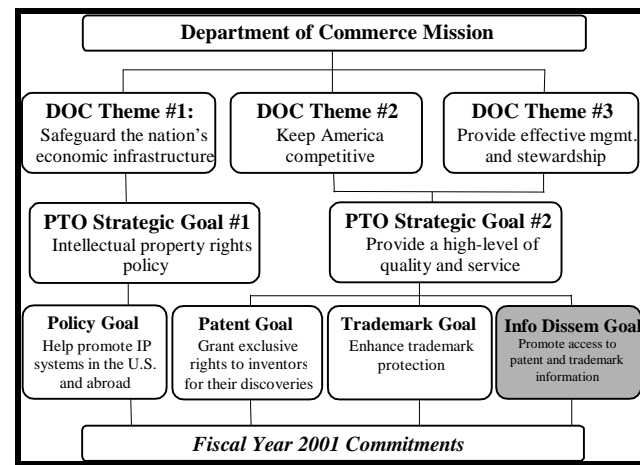
## Information Dissemination Business

The Information Dissemination Organization (IDO), the third PTO business line, serves the fundamental purpose of patent and trademark laws by disclosing new technologies and providing public notice concerning intellectual property rights. The availability of this information stimulates scientific inquiry, promotes research and innovation, creates opportunities for bringing new technologies to market, and enhances public awareness of technological advances. Our activities directly support the Department's strategic goal to keep America competitive with cutting-edge science and technology and an unrivaled information base while providing a high-level of quality and service to PTO customers.

IDO provides products and services that are constructed from information created primarily in the patent and trademark application processing pipelines. The dissemination of patent and trademark information completes the contract with the public and the inventor for full disclosure of the invention in return for a grant of limited monopoly, and provides information regarding current trademarks in use by the business community. The timely dissemination of such information serves two purposes: provides formal notice of individuals' rights to an invention or a mark identifying a good or service; and stimulates creativity, technological advancement, entrepreneurship, and overall economic development. The capability to quickly and accurately access this information often shapes the way businesses position themselves in the marketplace, the decisions they make on new product development, and the manner in which they interact and compete for market share. The impact of patent and trademark information is widespread.

We serve a wide variety of customer groups that include the following:

- Researchers and inventors who use patent and trademark information to validate the uniqueness of their invention or mark;
- Intellectual property owners who seek information to record notice of their ownership of a patent or a trademark and to guard against infringements of their intellectual property rights;
- Businesses and entrepreneurs who seek patent and trademark information to make new products or launch new business ventures;
- Intermediary businesses that obtain patent and trademark information, add value, and sell it to third parties; and
- National patent and trademark offices around the world.



These different customer segments are shaped by their individual requirements and functional needs. To meet the diverse, and sometimes divergent, requirements of such a varied customer group, IDO has developed an integrated dissemination strategy that facilitates access to patent and trademark information in the most useful form to a variety of customers utilizing the creative solutions of modern technology by:

- Providing comprehensive search facilities at PTO headquarters in Arlington, Virginia, and partnering with 85 state, university, and local libraries throughout the nation to offer patent and trademark information and search services to citizens in their local communities;
- Operating the PTO's central call center that provides general information on patent and trademark processes to approximately one million customers annually;
- Recording intellectual property ownership deeds and transfers (mergers, liens, and licenses) and providing certified copies of patent and trademark documents used frequently in legal proceedings and for filing in foreign countries;
- Serving the dual role of information provider and information developer by providing copies of PTO databases to the information industry for resale; providing online and electronic information products to end users of patent and trademark data; and developing techniques for more effective use of patent and trademark data and products.

### ***The Information Dissemination Business Environment***

We continue to face many challenges in the delivery and improvement of information products and services. In line with the growth experienced in patent and trademark application filings, IDO has experienced comparable growth in the demand for information products and services. As a direct result of the steady growth in patents issued and trademarks registered, the document filing volumes in the search facilities, requests for recordation of ownership documents (assignments), and orders for certified copies of applications have steadily increased. In addition, other factors associated with national economic activity (e.g., mergers, acquisitions and bankruptcies) also have contributed to our workload increases.

**Table 10**

**Key Workload Indicators**

	<b>FY1996</b>	<b>FY1997</b>	<b>FY1998</b>	<b>FY1999</b>	<b>FY2000</b>	<b>FY2001</b>
<b>General Information Customers Served</b>	526,817	798,378	879,273	934,697	1,042,000	1,117,000**
Percentage Increase of Customers Served	...	52	10	6	11	7
<b>Patent and Trademark Assignments Processed</b>	325,439	436,838*	389,094	501,910*	582,200	610,000**
Percentage Increase of Assignments Processed	...	34*	-11	29*	16	5
<b>Certified Copies of Office Records Provided</b>	158,032	208,149	241,778*	224,010	249,500	262,000**
Percentage Increase of Certified Copies	...	32	16*	-7	11	5
<b>New References Filed in Search Facilities</b>	1,998,311	2,181,237	1,993,334	1,988,682	2,264,000	2,490,500**
Percentage Increase of New References Filed	...	9	-9	0	14	10

\* Workload processed includes processing of prior year backlog.

\*\* Any 2001 workload amounts over fiscal year 2000 levels will not be processed at the 2001 funding level.

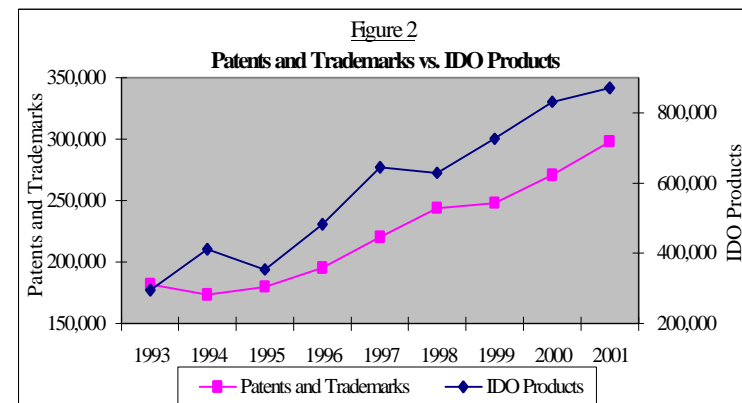
Increased interest and use of the patent and trademark systems have resulted in an increased demand for new patent and trademark information products and a need to expand the service ordering and delivery options. Recognizing the diverse, sometimes conflicting, needs of patent and trademark information customers, it is important to meet their needs through a diverse and varied product portfolio, including paper, optical (DVD-ROM), and on-line products. Meeting customer requirements is at the heart of our goal to “provide our customers with the highest level of quality and services” and forms the basis of many of our organization’s performance measures.

To address customer requirements, as well as support electronic commerce, we are leveraging the Internet. Customer requirements include Internet ordering and delivery options and, as a business, we look to the Internet as a tool which will help contain costs and facilitate new types of commercial transactions. Offering patent and trademark databases via the Internet are making it easier for the public to research the most recent technology and information. This brings access to patent and trademark information closer to citizens and businesses that need such information to make important business and investment decisions and successfully compete in today’s global market.

## ***The Information Dissemination Business Case***

Timely availability of patent and trademark information in a useful format is critical to the user community, whether it is used by individual entrepreneurs or businesses to make important decisions on investing in new research and development or going into litigation to determine possible infringement of a patent or a trademark. To meet the challenge of delivering intellectual property information when, where, and in the format needed by customers, we must offer varied customer groups a diverse product portfolio supported by efficient business processes that effectively use a variety of delivery channels. These products are offered through on-line ordering, fax, and telephone requests made directly to the PTO, through Patent and Trademark Depository Libraries located across the country, or through various private companies which purchase bulk data from us in order to resell it to thousands of their own customers.

As illustrated in Figure 2, growth in both patent issues and trademark registrations results in a proportionate increase in the demand for patent and trademark information products and services. In addition to these increases, we have experienced increasing customer requirements to employ varied formats, different types of media for transmitting the information, and additional delivery methods. To meet this growing and varied customer demand for intellectual property information, we must use new and creative solutions that will satisfy a broad range of customers.



The relationship between meeting customer requirements and conducting efficient dissemination programs is a delicate balance. The dissemination strategy we use provides products and services through varied delivery mediums that meet key customer requirements at the lowest possible cost. We are pursuing new and creative solutions, such as conversion to DVD-ROM technology, implementation of computer telephony integration, use of the Internet, and electronic commerce. These approaches take advantage of technological advancements to increase the quality and speed of disseminating information and to contain costs. The challenge is to make full use of current technologies and keep attuned to future opportunities.

## ***Year 2001 Commitments***

All IDO business activities for fiscal year 2001 support our commitment as a High Impact Agency:

- We are enhancing communication with our customers and delivering information when, where, and in the format needed, by enabling customers to use the Internet to access patent and trademark data, to request information on the status of their applications, and to place orders and receive products.

## ***Business Goals and Objectives***

Our macro performance goal is to promote awareness of and provide effective access to patent and trademark information. In direct support of this macro goal, the following business goals that drive the activities proposed for fiscal year 2001 have been delineated:

- Consistently achieve customer satisfaction by understanding and supporting customers' needs.
- Promote the use and accessibility of intellectual property information.
- Develop the highest quality information products and services, which deliver information when, where, and in the format needed.
- Promote cooperation with other intellectual property offices through cooperative projects and exchanges.
- Select, develop, and promote a work force that is skilled, productive, creative, and promotes excellence.

In fiscal year 2001, we will continue to focus on these business goals by:

- Maintaining a diversified information dissemination program to deliver products and services according to established service goals;
- Using the Internet to accept orders and deliver information products and services;
- Maintaining U.S. regional access to patent and trademark information; and
- Containing the cost of dissemination.

**Table 11**

**Operational Budget**  
(Dollar amounts in thousands)

	<b>Fiscal Year 1999 Actual</b>		<b>Fiscal Year 2000 Currently Available</b>		<b>Fiscal Year 2001 Request</b>	
	<b>FTE</b>	<b>Dollars</b>	<b>FTE</b>	<b>Dollars</b>	<b>FTE</b>	<b>Dollars</b>
<b>Information Dissemination Process</b>	<b>177</b>	<b>\$42,217</b>	<b>199</b>	<b>\$37,464</b>	<b>199</b>	<b>\$39,458</b>
<b>Information Technology<sup>1</sup></b>	<b>26</b>	<b>\$13,445</b>	<b>28</b>	<b>\$15,978</b>	<b>28</b>	<b>\$18,131</b>
Development		5,337		2,508		6,296
Operations		8,108		13,470		11,835
<b>Resource Management<sup>2</sup></b>	<b>28</b>	<b>\$3,894</b>	<b>33</b>	<b>\$4,411</b>	<b>33</b>	<b>\$5,292</b>
<b><i>Information Dissemination Total</i></b>	<b><i>231</i></b>	<b><i>\$59,556</i></b>	<b><i>260</i></b>	<b><i>\$57,853</i></b>	<b><i>260</i></b>	<b><i>\$62,881</i></b>

For fiscal year 2001, we propose a budget of 260 FTE and \$62,881,000. This represents an increase of 0 FTE and \$5,028,000 over the fiscal year 2000 operating budget, and an increase of 0 FTE and \$3,683,000 over base. Estimates also include our share of resource management and information technology infrastructure costs, computed in accordance with our activity-based cost accounting model.

## ***Manage Growth***

Information dissemination workloads are driven by higher volumes of patent and trademark applications, increased output from the patent and trademark processing pipelines (patents issued and trademarks registered) as well as a rise in public interest in and use of the patent and trademark systems. Table 10 summarizes the projected increase in requests for key products and services. Public requests for certified copies of office records are expected to increase 5 percent in fiscal year 2001. These documents are generally requested by applicants and are needed to secure intellectual property rights in other countries or to support litigation. Timely services are important to meet customer requirements for foreign filing deadlines, court deadlines, and to complete commercial transactions (i.e., mergers and acquisitions, liens, and licenses). Increases are also projected in requests

<sup>1</sup> Cost estimates for development and operations are burdened with the Information Dissemination Business' share of enterprise information technology infrastructure, and distributed in accordance with our activity-based cost accounting model.

<sup>2</sup> Cost estimates include information technology development and operations as burdened and distributed in accordance with our activity-based cost accounting model.

for recordation of the assignments of patent and trademark rights. This increase is driven by the projected growth in output from the patent and trademark pipelines. Additionally, workloads in the Public Search Facilities are increasing as we ensure the paper files are current with each week's issue of new patents and trademarks and that adequate photocopying equipment is provided for patron use on a fee-reimbursable basis. The Call Center provides general information to PTO's customers via phone calls and mails general information products in response to their questions. Future workload growth is driven by increased use of the patent and trademark systems (filings) as well as the introduction of additional access avenues such as e-mail. Improvements to call center technology have provided the means to handle part of the additional volume.

During fiscal year 2001, we will attempt to address these increasing workloads with only inflationary adjustments to available resources. However, if workloads continue to grow at rates experienced during fiscal year 1999, backlogs will develop in key production areas that will negatively impact service goals, customer satisfaction and product sales revenue. Backlogs, when worked off at more expensive overtime rates, will contribute to inefficiencies and higher production costs.

### ***Quality and Customer Satisfaction***

As part of the IDO mission to provide effective access to patent and trademark information throughout the United States, we work to maintain regional access to patent and trademark information and services. One aspect is to work with state, university, and local libraries to extend PTO's information dissemination capability. The Patent and Trademark Depository Libraries (PTDLs) serve as local liaisons between PTO's customers and the PTO in lieu of formal PTO branch or field offices, and obviate the need for PTO undertaking the expense of maintaining facilities outside of its headquarters. There are currently 85 libraries in the network - located in all states, the District of Columbia, and Puerto Rico. Our strategy is to pursue controlled expansion into areas of high population densities with high patent and trademark activity. In addition to the patent and trademark depository libraries throughout the country, we have partnered with three PTDLs to bring enhanced services and products specifically tailored to the needs of the intellectual property community in major geographic regions. We have established Partnership Libraries in Sunnyvale, California; Detroit, Michigan; and Houston, Texas. In fiscal year 2000, we will establish one in Boston, Massachusetts. The success and value of these partnerships in streamlining and improving the provision of services to citizens has been recognized by Vice President Gore with a Hammer Award. PTDL Partnership Libraries have become key business conduits in the intellectual property community.

## ***Information Technology***

### **Expand Patent and Trademark Information on the Internet**

In April 1999, PTO unveiled new Internet databases which contain the texts and images of more than two million patents dating back to 1976 and over one million registered and pending trademarks dating back to 1870. The more than 20 million pages in the database comprise two terabytes of science and technology and more than 100 years of marketing creativity. In fiscal year 2001, we are requesting an increase of \$6,000,000<sup>3</sup> to begin expanding Web site offerings to provide additional U.S. patent text and image data from 1790 to 1975. This activity supports the Administration's priority to bring technology to communities and is an important strategy in the IDO program to improve customer satisfaction, in general, and customer satisfaction with ease of access to patent and trademark information. Input from earlier customer surveys provided impetus to provide PTO's databases on the Web. These customer requirements coupled with our commitment as a High Impact Agency and the White House directive to promote electronic commerce combine to form the basis of this initiative.

***If we establish an environment  
in which electronic commerce  
can flourish, then every  
computer can be a window open  
to every business, large and  
small, everywhere in the world."  
-Vice President Al Gore***

Under this initiative, the patent database would be made available to the public. These databases would be searchable using the same search engine used internally by examiners (BRS Search), would be "replicated" outside the PTO firewall to ensure that public access does not negatively impact examiner access, and to prevent public access to PTONet and PTO's internal systems. Image data would be linked to text data and be retrieved in a manner similar to the current U.S. patent image file on the PTO Web site. It is expected that additional funding will be required in fiscal year 2002 to complete this project and improve the data integrity and accuracy of search.

One of the primary benefits of this proposal is that the public will have access to the same databases as patent examiners, thereby giving individuals the opportunity to search for patent and trademark information themselves. This brings access to patent information closer to citizens and businesses who need such information to make important business and investment decisions to successfully compete in the global economy.

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<sup>3</sup> This cost has been distributed to all four PTO businesses to reflect the benefit that each receives from the PTO Web site.



## ***Fiscal Year 2001 Performance Goals and Measures***

We are committed to evaluating the performance of all existing and new programs both at the organization and operations levels. Performance is monitored to assess the effectiveness of our activities. The process used to collect and manage performance data is reviewed periodically to determine if improvements can be made to data reliability, collection, and access. The six measures delineated in Table 12 support our macro performance goal to promote awareness of and provide effective access to patent and trademark information. Data used to assess customer satisfaction and evaluation of ease of access are obtained through customer surveys. We conduct these customer surveys on a two-year cycle, which allows for compilation and analysis of results and subsequent implementation of service improvements.

**Table 12**

<b>Performance Measures</b>					
<b>Performance Goal:</b> Promote awareness of and provide effective access to patent and trademark information.	<b>Baseline<sup>4</sup></b>	<b>FY 1998 Performance</b>	<b>FY 1999 Performance</b>	<b>FY 2000 Target</b>	<b>FY2001 Target</b>
Customer evaluation of ease of access (percent) to patent and trademark information*	*	*	77	*	90
Percent of top 100 most populated areas served by PTDLs <sup>5</sup>	55	58	60	61	62
Overall level of customer satisfaction with key products and services as determined by responses to a customer satisfaction survey (percent)*	*	*	75	*	90
Percent of key products and services meeting schedules or cycle time standards <sup>6</sup>	63	70	64	80	80
Workload cost indicator <sup>7</sup>	\$8.97	\$11.68	\$14.19	\$8.90	\$10.86
Overall percent of employee satisfaction <sup>8</sup>	54	58	*	65	*

\* IDO's customer satisfaction survey is planned to be conducted every two years. The baseline for this survey was based on a four-point scale. However, beginning in fiscal year 1999, it was decided to begin using a five-point scale. Therefore, comparisons between the baseline results and subsequent results cannot be made. The 2001 performance target for each customer survey, 90 percent, will not be reached at this funding level. Instead, we are projecting 65 percent in 2001.

<sup>4</sup> Baseline measures are derived from fiscal year 1996 actual performance results except for the workload cost indicator estimates, which are based on preliminary activity-based cost accounting models of fiscal year 1997 actual cost accounting data.

<sup>5</sup> The 2001 performance target, 62 percent, will not be met due to increases in workload and restricted use of fee income. Instead, we are projecting 61 percent.

<sup>6</sup> The 2000 and 2001 performance targets, 80 percent, will not be met due to increases in workload and restricted use of fee income. Instead, we are projecting 64 percent in 2000 and 60 percent in 2001.

<sup>7</sup> The workload cost indicator measures each business area's composite productivity rate, which is the ratio of costs per composite output unit of goods or services provided. This ratio is derived by using total business area costs as the numerator and the actual composite workload number, weighted total of key outputs, as the denominator. The 2000 performance target, \$8.90, will not be met due to increases in workload and restricted use of fee income. Instead, we are projecting a cost of \$10.18.

<sup>8</sup> Survey conducted in 1998 using the Office of Personnel Management's Organizational Assessment Survey. Results reported in the Office of the Administrator for Information Dissemination are based on the question "Considering everything, how satisfied are you with your job?" We are projecting a 58 percent satisfaction rate in 2000.

**Table 13**

**Key Objectives**  
1999 through 2001

<i>1999 Accomplishments</i>	<i>2000</i>	<i>2001</i>
<ul style="list-style-type: none"><li>• Established one new PTDL Partnership.</li><li>• Completed preliminary PTDL designation activities in six institutions in high population areas.</li><li>• Conducted customer surveys and achieved a 75 percent satisfaction rate.</li></ul>	<ul style="list-style-type: none"><li>• Maintain current programs.</li><li>• Implement Computer Telephony Integration for the Enterprise Call Center.</li></ul>	<ul style="list-style-type: none"><li>• Maintain current program at current service levels.</li><li>• Provide Partnership libraries with access to PTO's order management system.</li></ul>
<ul style="list-style-type: none"><li>• Provided patent full text and image databases on PTO's Web site.</li><li>• Provided ordering and delivery of information products via the Internet.</li><li>• Upgraded from CD-ROM to DVD-ROM.</li></ul>	<ul style="list-style-type: none"><li>• Maintain patent databases on PTO's Web site.</li><li>• Expand the trademark database on PTO's Web site by adding expired trademarks.</li><li>• Provide Internet submission of patent and trademark assignment requests.</li></ul>	<ul style="list-style-type: none"><li>• Expand patent databases on PTO's Web site by providing additional U.S. patent text and image data from 1790 to 1975 .</li><li>• Provide a portion of the patent backfile on DVD-ROM.</li></ul>

## Policy

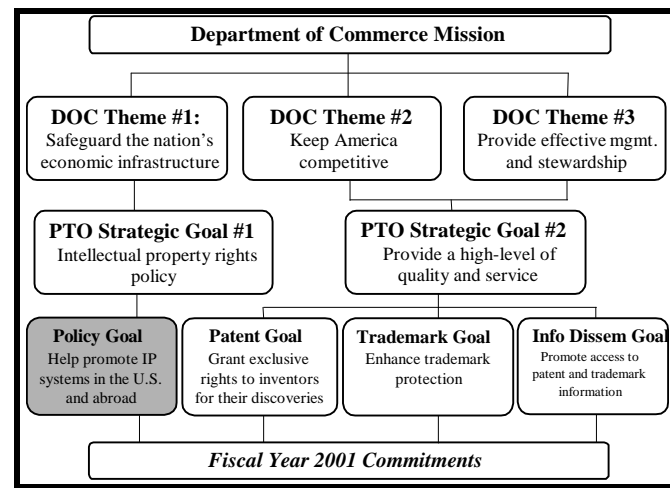
The Policy function provides leadership and direction to the three businesses and corporate support organizations of the PTO. We also promote and provide expertise in the area of intellectual property rights -- patents, trademarks, and copyrights. Intellectual property rights play an important role in promoting innovation in science and technology, and in ensuring that resulting products and services reach desired markets around the world. If American businesses are to remain competitive, the effective protection of intellectual property rights must be guaranteed throughout the world. The PTO plays a leadership role in intellectual property rights' policy development and in promoting the use of intellectual property rights as a means of economic prosperity and competitiveness. This directly contributes to the Department's strategic goal to build for the future and promote U.S. competitiveness in the global marketplace.

### *The Policy Agenda*

The Policy function provides overall direction and leadership to the business areas of the organization in the areas of quality management, enhanced internal communication, liaison with independent inventors, legal counsel, enrollment of patent practitioners to practice before the PTO, and international and legislative activities. These functions are carried out by the following organizations: the Office of the Assistant Secretary of Commerce and Commissioner of Patents and Trademarks, the Office of the Deputy Assistant Secretary of Commerce and Deputy Commissioner of Patents and Trademarks, the Solicitor, the Office of Legislative and International Affairs, and the Office of Enrollment and Discipline.<sup>1</sup>

One of the PTO's highest priorities is to achieve performance excellence. To achieve this envisioned state; the Commissioner has established a small, but elite, group of employees to establish a quality management system throughout the organization. This group, working in collaboration with a Quality Council comprised of representatives from throughout the PTO, is providing leadership and direction to help business units identify opportunities for improvement that lead to performance excellence. Many of these opportunities are included in the respective business sections under Quality and Customer Satisfaction.

Independent inventors represent approximately 20 percent of the applicants seeking patent protection. The Commissioner of Patents and Trademarks has identified this customer group as a target for special emphasis in order to improve quality and enhance customer satisfaction. This is a continuation of the effort whereby PTO launched annual conferences designed to meet the needs of these key members of the intellectual property community.



<sup>1</sup> This change occurred in fiscal year 2000. In prior years, the Policy function only included the Office of Legislative and International Affairs, and the Office of Enrollment and Discipline.

Managing a complex organization requires a continued enhancement in legal services. The growth of intellectual property protection has led to an increased number of attorneys and practitioners who wish to do business before the Office. Increased application and related filings and the subsequent decisions by the Patent and Trademark businesses sometimes can require legal action by the Solicitor. PTO is committed to the prompt registration of those wishing to practice before the Office and to meeting court imposed deadlines in civil actions and appeals.

The role of intellectual property systems in stimulating the American economy has become increasingly important. International negotiations, consultations, and information-sharing efforts led by PTO leaders and international specialists are geared to secure, improve and expand protection of U.S. intellectual property rights throughout the world. We are committed to accomplishing President Clinton's Framework for Global Electronic Commerce by continuing to work closely with other U.S. government agencies and foreign counterparts to create a consistent environment that is mutually beneficial to all parties and fosters economic development on a global scale. More specifically, our policy agenda is to update and make more efficient our system for protecting patentable innovations to meet the needs of the fast-moving electronic age and to seek agreements with other governments to protect patentable innovations worldwide.

The Office of Legislative and International Affairs (OLIA) functions as the principal adviser to the Assistant Secretary and the Deputy Assistant Secretary on public policy matters related to IP protection including drafting legislative and policy proposals concerning intellectual property matters, preparing supporting documentation to carry out the legislative programs and policies of the Commissioner, and reviewing and analyzing other legislative proposals concerning intellectual property matters. Policy specialists also engage in multilateral and bilateral negotiations to strengthen intellectual property protection worldwide. On-going efforts include the development and maintenance of multilateral systems for the protection of intellectual property rights; assistance in the establishment of bilateral agreements with other intellectual property offices; participation in the intellectual property aspects of trade consultations; patronage in the establishment of adequate systems in developing countries for the protection of intellectual property rights; and development of international standards and procedures to make it easier for U.S. nationals to obtain rights in other countries and to facilitate access to the information contained in patent and trademark documents.

**Table 14**

<b>Operational Budget</b> (Dollar amounts in thousands)						
	Fiscal Year 1999 Actual		Fiscal Year 2000 Currently Available		Fiscal Year 2001 Request	
	FTE	Dollars	FTE	Dollars	FTE	Dollars
<b>Policy Function</b>	<b>72</b>	<b>\$11,312</b>	<b>88</b>	<b>\$13,325</b>	<b>101</b>	<b>\$16,084</b>
<b>Information Technology</b> <sup>2</sup>	<b>9</b>	<b>\$4,200</b>	<b>9</b>	<b>\$4,854</b>	<b>9</b>	<b>\$5,786</b>
Development		163		97		89
Operations		4,037		4,757		5,697
<b>Resource Management</b> <sup>3</sup>	<b>4</b>	<b>\$619</b>	<b>4</b>	<b>\$653</b>	<b>4</b>	<b>\$823</b>
<b>Policy Total</b>	<b>85</b>	<b>\$16,131</b>	<b>101</b>	<b>\$18,832</b>	<b>114</b>	<b>\$22,693</b>

For fiscal year 2001, we propose a budget of 114 FTE and \$22,693,000. This represents an increase of 13 FTE and \$3,861,000 over the fiscal year 2000 operating budget, or an increase of 13 FTE and \$3,253,000 over base. Cost estimates also include our share of resource management and information technology infrastructure costs, computed in accordance with our activity-based cost accounting model.

### ***Establish an Integrated Quality Management System***

*Quality Management.* An increase of 5 FTE and \$868,000 is requested for the quality management function to lead efforts to implement and manage an integrated quality management system at the PTO. This includes leadership for and oversight of the PTO Quality Council, which establishes policy in such areas as survey methodology, in-house assessments, and performance measurement. The integrated quality management system will result in periodic self-assessments, integration of performance measures, sharing of best-practices, fostering performance excellence, assisting business units with the implementation of opportunities for improvement, establishment of a performance excellence library, liaison with regard to quality awards, and facilitating knowledge management.

<sup>2</sup> Cost estimates for development and operations are burdened with the Policy Function's share of enterprise information technology infrastructure, and distributed in accordance with our activity-based cost accounting model.

<sup>3</sup> Cost estimates include information technology development and operations as burdened and distributed in accordance with our activity-based cost accounting model.

The annual self-assessment uses the Baldrige criteria to project key requirements for delivering ever-improving value to customers while at the same time maximizing the overall effectiveness and productivity of the delivering organization. The self-assessment is a comprehensive, systematic review of an organization's processes and results referenced against the nationally and internationally accepted Criteria for Performance Excellence. The objectives of the self-assessment are to:

- Provide a comprehensive framework for evaluating performance and performance plans (GPRA requirement).
- Determine how well PTO currently is performing against criteria for high performing organizations.
- Identify and prioritize action plans needed to enhance performance.
- Drive continuous improvement and learning throughout the organization.
- Determine how well all parts of the organization are working together to achieve strategic objectives.
- Help to align the many initiatives and processes to improve overall organizational performance and customer satisfaction.
- Facilitate communication and sharing of best practice information among organizations of all types.
- Serve as a working tool for understanding and managing performance, planning and continuous learning.

*Independent Inventors.* An increase of 1 FTE and \$746,000 is requested for the independent inventor program, a high profile function reporting directly to the Office of the Commissioner. Funds will be used to establish new mechanisms to better disseminate information about the patent and trademark processes and foster two-way communication between the PTO and independent inventors. Roundtable discussions devoted to issues important to independent inventors will be held, and a section of the PTO's Web site will be devoted to independent inventors and links will be established to other Web sites relevant to this group. We will offer educational and outreach programs for independent inventors, covering all aspects of the patent and trademark processes, including how to file applications. Training programs will be provided via the Internet and other electronic media. We also will develop new materials, brochures, flyers, and handbooks on how to select an attorney and what to expect from them. We also will work to educate independent inventors about invention firms and publish public complaints regarding such firms, as required by the American Inventors Protection Act of 1999.

### ***Maintain and Grow our Leadership Roles in the Domestic and International Policy Arena***

In recent years, many government agencies have become involved in addressing intellectual property issues. The conference report on H.R. 2490, Treasury and General Government Appropriations Act for FY 2000, was signed into law (P.L. 106-58) on September 29, 1999. Section 653 of this law established the National Intellectual Property Law Enforcement Council. The PTO and the Department of Justice will jointly chair the Council. Statutory functions of the Council include coordinating "domestic and intellectual property law enforcement among federal and foreign entities, reporting annually on its coordination activities to the President, and to the Committees on Appropriations and on the Judiciary of the Senate and the House of Representatives, and consulting with the register of Copyrights on law enforcement matters relating to copyrights". Other functions of the Council may include: improving coordination of the USG on enforcement efforts including related and law enforcement of IP activities, improving cooperation with other governments and with industry, evaluating the impact of USG IP technical assistance to foreign countries, and working with IP owners to combat IP enforcement problems both domestically and internationally. The Office of Legislative and International Affairs will take the lead in forming the interagency council to develop training programs in order to establish a cohesive

Administration-wide focus towards the protection of intellectual property. The end result should be an increase in the quality and quantity of technical assistance that is provided to developing countries with the long-term goal of providing a higher level of intellectual property protection for American business interests.

To implement this activity, we will partner with other government agencies to provide seminars and technical training in the United States and in developing countries. Seminar topics will include mechanisms to combat piracy and counterfeiting, the benefits of all forms of intellectual property protection, developments in information technology that improve the administration of industrial property offices, and managing for growth.

Through partnering with other agencies, such as the Commercial Law Development Program, the Agency for International Development, the Department of Justice, and the Department of State, we will be able to provide an increased amount of training to developing countries.

On September 18, 1999, Commerce Secretary Daley deposited the U.S. Instrument of Ratification for the World Intellectual Property Organization (WIPO) Copyright Treaty and the WIPO Performances and Phonograms Treaty with the Director General of WIPO. Thirty countries must ratify these treaties so they will come into force. OLIA is committed to working with the Administration and their international counterparts to enable full treaty implementation before the end of the current Administration.

The PTO, along with other U.S. Government agencies, continues to work with the motion picture industry and the performers' unions to garner stronger support for the U.S. position to improve international protection for audiovisual performers' rights. The Office will attend a technical meeting on audiovisual performers' rights in March of 2000 with the possibility of convening a Diplomatic Conference in December 2000.

### ***On-Going International and Legislative Activities***

Performance-Based Organization and Patent Law Reform H.R. 1907, the "American Inventors Protection Act of 1999", was signed into law (P.L. 106-113) on November 29, 1999, as part of the conference report (H. Rept. 106-479) on H.R.3194, Consolidated Appropriations Act, Fiscal Year 2000. This law offers protection against unscrupulous invention promoters; provides a limited "first to invent" defense against patent infringement; extends patent term to compensate for certain processing delays; provides for early publication of patent applications also filed abroad; improves reexamination procedures; and provides the PTO with operational and procurement flexibilities.

Drug Patent Term Extensions H.R. 1598 would establish within the PTO a public process to review claims for patent term restoration for certain drugs to compensate for extended regulatory review. The House Judiciary Subcommittee on Courts and Intellectual Property held a hearing on the bill on July 1, 1999. A companion bill, S. 1172, was the subject of a Senate Judiciary hearing on August 4, 1999. The 106th Congress took no further action.

Trademark Dilution: The "Trademark Amendments Act of 1999" (H.R. 1565) was signed into law on August 5, 1999, as Public Law 106-43. This bill provides owners of famous marks the right to oppose or seek cancellation of a mark on dilution grounds in Trademark Trial and Appeal

Board (TTAB) proceedings; allows private citizens and corporate entities to sue the Federal Government for trademark infringement; and provides that the party asserting trade dress protection in an action for infringement, where the matter sought to be protected is not registered with the PTO, has the burden of proving that the trade dress is not functional.

Madrid Protocol: H.R. 769, the “Madrid Protocol Implementation Act”, would implement the protocol related to the Madrid Agreement on the International Registration of Marks (the bill was passed by the House of Representatives on April 13, 1999). The Protocol would permit U.S. trademark owners to file for registration in any number of member countries by filing a single standardized application, in English, with a single set of fees, with the PTO. The Treaty has not been forwarded to the Senate for ratification because of concerns over EU voting rights under the agreement.

Recordation of Intellectual Property Security Interests On June 24, 1999, the House Judiciary Subcommittee on Courts and Intellectual Property held a hearing on a draft bill regarding the recordation of Intellectual Property Security Interests. The PTO submitted a written statement for the record indicating several concerns with the draft and suggesting that consideration be given to the “Franklin Pierce” study due in early 2000.

## ***Fiscal Year 2001 Performance Goals and Measures***

In fiscal year 2001, our policy specialists will be instrumental in carrying out the PTO’s strategic goal of playing a leadership role in intellectual property rights policy, particularly the macro performance goal to help protect, promote, and expand intellectual property rights systems throughout the United States and abroad. The desired results of our policy activities are to have a competitive America in the global market place, a strong and unimpeded economic infrastructure; and effective management and stewardship of intellectual property rights which contribute to sustainable economic opportunities.

**Table 15**

### **Performance Measures**

<b>Performance Goal:</b> Help protect, promote, and expand intellectual property rights systems throughout the United States and abroad.	<b>Baseline</b>	<b>FY 1998 Performance</b>	<b>FY 1999 Performance</b>	<b>FY 2000 Target</b>	<b>FY 2001 Target</b>
Increase in technical assistance to developing countries and countries moving to a market economy:					
• Number of countries provided technical assistance	47	73	93	96	98
• Number of technical assistance activities completed	59	90	99	102	104



## **Corporate Support**

The PTO's Corporate Support functions provide the framework by which the three businesses and Policy function carry out their mandates and meet their performance commitments. The corporate support functions are either enterprise resource management functions or enterprise information technology functions. The resource management functions are under the direction of the Chief Financial Officer, and include human resources, planning, financial management, procurement, space and facilities management, and file and mail services. The information technology infrastructure functions are under the direction of the Chief Information Officer.

These corporate support functions enable our business area to maximize the potential of human capital by:

- Enabling the recruitment and retention of patent and trademark examiners needed to process increasing number of applications filed each year;
- Creating a labor management environment that is conducive to effective growth management;
- Transitioning clerical and technical employees to knowledge work;
- Enhancing overall communications with employees;
- Enhancing diversity in the workplace;
- Responding to health and safety concerns; and
- Providing automated systems to enhance personnel-related decision making.

Corporate support functions also enable businesses to effectively account for the use of funds, to procure the tools their employees need to manage growth, and to provide logistics in terms of retrieving and filing, processing mail, and effectively managing facilities.

Information technology enterprise infrastructure encompasses all of the hardware, system and database software, communications, and related support services that are integral to all business and corporate operations. At the PTO, IT infrastructure includes the management of large and continually growing text and image databases, coupled with a requirement to process very large volumes of transactions to support application processing. We are focusing our efforts on merging our current infrastructure to a standards-based open system environment that will allow the addition of new products or infrastructure components or the replacement of existing ones as new technology enters the marketplace.

## ***Fiscal year 2001 Increases***

<b>PTO Priority</b>	<b>Activity</b>	<b>Dollars</b>	<b>FTE</b>
Support PTO's Space Consolidation effort	Continue detailed planning efforts to ensure a smooth transition to the consolidated campus	\$10,000,000	
Enable PTO businesses to meet performance commitments by effectively managing resources	Enhance personnel-related decision-making through the Human Resource Information System (HRIS)	\$1,400,000	0
	Improve core financial data by enhancing the activity-based costing effort and distributing the data	\$1,200,000	0
	Implement American Inventors Protection Act (see page 35)	\$38,000	0
	<b>TOTAL – Resource Management Activities</b>	<b>\$12,638,000</b>	<b>0</b>
Enhance PTO's information technology enterprise infrastructure	Replace PTONet	\$16,800,000	0
	Improve information security	\$2,157,000	0
	Meet the demands of an expanding user community	\$1,250,000	0
	<b>TOTAL – Information Technology Activities</b>	<b>\$20,207,000</b>	<b>0</b>

## ***Resource Management***

### PTO Space Consolidation

Since 1989, the General Services Administration (GSA) and PTO have worked together on plans to consolidate and update the PTO office complex. The 18 buildings in Crystal City that PTO currently occupies range in age from 10 to over 25 years. To meet long-term needs and Federal building standards, existing space requires alterations to: 1) facilitate the PTO's reengineered processes and automation programs, and 2) fully comply with current (as opposed to grandfathered) fire, life, safety and accessibility codes. Furthermore, the *Competition in Contracting Act* requires the PTO's long-term requirements be submitted for competition. In late 1995, the Administration recommended and Congress approved a competitive PTO lease of 2.17 to 2.39 million rentable square feet (depending on building efficiency) in a new or rehabilitated complex in Northern Virginia. The consolidation will result in:

- Workflow efficiencies;
- Reduced operation costs;
- Application of information technology improvements (required to implement IT enhancements not accommodated by existing facilities);
- Compliance with the Americans with Disabilities Act (ADA)/ Uniform Federal Accessibility Standards (UFAS), Life-safety, and Building Codes; and
- Improved amenities (childcare, auditorium, cafeteria).

On June 14, 1999, GSA issued a Record of Decision (pursuant to the National Environmental Policy Act's Environmental Impact Statement process) identifying LCOR Alexandria, L.L.C. and the Carlyle site in Alexandria, Virginia, as the best solution for meeting PTO's long-term housing needs. Of the three finalists in the competition, LCOR had the highest rated technical proposal and the lowest price. As a result, it was determined to be the greatest overall value to the Government, consistent with the evaluation criteria established in the Solicitation for Offers (SFO) issued for this project.<sup>1</sup>

The Carlyle site is located on currently undeveloped land at Dulany Street and Eisenhower Avenue between Elizabeth Lane and Carlyle Street. The campus will be comprised of approximately 2 million square feet of occupiable space within five connected office buildings. Four buildings, 10 stories each, will line both sides of Dulany Street. The campus will be highlighted by an 18-story tower at the end of Dulany Street, with seven-story annexes on both sides of the tower. GSA expects to award a 20-year lease to LCOR Alexandria, L.L.C., in the second quarter of fiscal year 2000. Following the lease award, the developer will need to obtain local planning and construction approvals, arrange financing, and construct the base buildings. Concurrently, GSA/PTO will work with the developer's team to complete the interior design and fitout.

The space consolidation project has been challenged by several lawsuits, including:

- A lawsuit filed by the Charles E. Smith Companies, in the District Court for the Eastern District of Virginia, alleging violation of the Public Buildings Act and Competition in Contracting Act, was dismissed on July 29, 1999. The District Court granted the Government's motion for summary judgment in full, after concluding that the administrative record demonstrates the SFO requirements are reasonable and that the Government had complied with applicable law. The Charles E. Smith Companies appealed this case to the Fourth Circuit Court of Appeals in December 1999.
- A joint lawsuit filed by The Charles E. Smith Companies and three local citizens against GSA, PTO and DOC in the District Court in the District of Columbia alleging that the Government had failed to comply with the requirements of the National Environmental Policy Act

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<sup>1</sup>Technical factors included quality of facility design (45%), quality of site (35%), qualifications of the interior architect (10%), and qualifications of the O&M firm (10%).

(NEPA) with respect to the space consolidation project. Both the government and the plaintiffs have filed motions for summary judgment, and a hearing on the matter was held August 20, 1999. It is expected that a decision will be issued shortly.

Pending execution of a lease contract with LCOR, the price proposal and precise delivery schedule remains procurement sensitive. However, the cost to lease the space PTO will occupy is below the maximum annual cost limitation set by Congress in fiscal year 1996 of \$57,286,560 subject to escalation at 2.9 percent to the effective date of the lease. The SFO provides that the move will be into 8-10 phases of approximately 250,000 square feet each. The construction of the first 1,200,000 square feet of space must be completed within four years of the lease award, but may be earlier (no earlier than October 2001), with completion of all of the space within 18 months of delivery of the first block.

For the future consolidated campus, the PTO has adopted a modular approach to space planning and design in order to promote easy, cost-effective reuse and reassignment of our space over the term of the lease. The program of requirements identifies a universal office module, which uses a standard grid size to assign all spaces to promote fairness, uniformity and flexibility throughout the campus. The plan is to have two closed office sizes (120 square feet and 150 square feet) and two workstation sizes (75 square feet and 80 square feet). Most other office support areas and distributed spaces are sized as dimensional derivatives of these two closed office sizes. In an effort to better utilize the space, standard sized conference rooms, pantries, equipment and photocopy rooms will be distributed throughout the new campus. Joint-use spaces are sized based upon their special-purpose use. Some of the joint-use spaces include a consolidated training facility, a cafeteria, a fitness center, a health unit, an auditorium and a PTO child care center.

The Senate Committee Report accompanying Public Law 105-235, the Commerce Justice State Appropriations for fiscal year 1999, included language that the PTO must put cost control mechanisms in place to monitor every aspect of the space project and provide a quarterly status report to the Committee. The appropriations legislation for fiscal year 1999 also included language that capped the moving costs of the PTO at \$135 million, of which no more than \$29 million could be used for alterations that are above GSA-standard costs.

PTO obligations to date have been for program management services and the transfer of funds to GSA for disbursement subsequent to lease award and for above GSA-standard build-out items. To date, we have reserved all of the capped \$29 million for above standard grade items through an obligation with GSA. The GSA has not yet expended these funds pending award of the lease and notification by GSA to the successful lessor to proceed with interior construction.

PTO is requesting \$10 million for the consolidation project in fiscal year 2001 in addition to \$20 million in base funding. With occupancy beginning in fiscal year 2003, these funds will be needed for requirements in information technology, security systems, move planning, furniture, and project management. PTO will make use of the findings of a comprehensive inventory of existing furniture in finalizing furniture requirements for the project. Funds are required for the project in fiscal year 2001 to properly plan and coordinate different aspects of the project and to solicit and award contracts. For example, if construction proceeds without information technology, security, and initial furniture plans and orders in place, we will not be able to integrate these components properly and would risk costly delays and changes. According to the terms of any likely lease, delays in the project caused by the government would increase the period of dual rent and operations as we transition from the

current to the new location. The PTO furniture order will require a substantial production scheduling commitment from the selected vendor(s) and will require extensive planning and lead-time prior to production and several months dedicated to production.

PTO has funded the consolidation project incrementally in order to distribute the project costs over several years so as to not impact operations or our customers' fees all in one or two years. With this funding in FY 2001, PTO will have planned and obligated \$71,800,000 of the planned \$135,000,000 budget through Fiscal Year 2001. The remaining \$63,200,000 will be needed in FY 2002 to 2004, with the most significant requirements in FY 2002.

### Enable PTO Businesses to Meet Performance Commitments by Effectively Managing Resources

Human Resources Information System (HRIS). An increase of \$1,400,000 is requested to continue phased implementation of the HRIS. HRIS will provide instant access to detailed records and on-line support for personnel-related decision-making, and will assist in tasks that once required the use of forms and time-consuming research. Additionally, it will provide for automated processing of work items from one processing station to the next without risk of having such items misplaced. The requested increase will allow the PTO to deploy an employee benefits administration module, deploy a training module, and implement the PeopleSoft commercial human resources software.

Financial Management Programs. An increase of \$1,200,000 is requested to strengthen two PTO financial management programs. First, we will continue migrating core financial systems to a client-server environment. This initiative directly supports the Vice President's Internet initiative by establishing the necessary infrastructure to allow customers (including PTO travelers) to submit invoices via the Internet and to check on status of payments via the Internet; to allow PTO business areas to access the core financial system through the Intranet; and to allow PTO business areas greater access to core financial system information, information that can now only be provided by centrally-generated reports. Second, we will support our activity-based costing (ABC) effort by maintaining PTO's existing cost models, performing fee costing via ABC, and automating and integrating the data input model. Lastly, analyses of business line processes will be provided to business line managers to support Activity Based Management.

## ***Information Technology – Enterprise Infrastructure***

All of the following requests are documented fully in the PTO's Strategic Information Technology Plan.

Replace PTONet. An increase of \$16,800,000 is requested to provide PTO's employees and contractors with an adequate computer network infrastructure (PTONet) that provides the services, bandwidth and the data exchange foundation necessary to maintain production. The replacement effort is part of the continued maintenance and enhancement of PTONet that is made necessary by the fact that growth and increased requirements levy increased demands on the network infrastructure; for example, the increase of bandwidth to the desktop for users to match technology advances in servers and workstations.

Improve Information Security An increase of \$2,157,000 is requested to provide our businesses with secure communications network-wide, reducing the threats of hacking and exploitation of captured electronic data. The capacity of PTO's original Firewall has been reached. Also, some E-commerce initiatives were not anticipated when the original Firewall was designed, for example, ordering, delivery and payment through the Internet; enabling customers to browse PTO Web sites and databases; and allowing authorized examiners to research prior art located in data bases throughout the world. The Electronic Mail Room/Public Key Infrastructure (EMR/PKI) will provide an infrastructure capability that serves as an interface, available PTO-wide, for the secure exchange of structured documents between automated information systems operating on PTONet and external correspondents. This capability will support the use of electronic correspondence for the submission and processing of patent and trademark applications, the processing of patent and trademark copy sales, and other PTO business exchanges with external entities. The EMR/PKI also will provide an infrastructure that will support public key cryptography. This infrastructure will support the generally recognized security features, such as encryption and digital signatures, which are necessary to secure electronic transactions. This capability will be made available to automated information systems enterprise-wide, so they can have reliable encryption and authentication services.

Information Technology Workload An increase of \$1,250,000 is requested to provide office automation and search tools for newly hired employees. This includes establishing PTONet capability (e.g., network jack, electronic mail capability); providing office automation capability (e.g., software and installing the workstation); and maintaining office automation capability (e.g., Help Desk support, maintaining software licenses). For patent and trademark examiners, this also includes providing access to search tools, tracking and monitoring systems (PALM and TRAM), and other miscellaneous and supporting systems.

**Table 16**

**Key Objectives**  
1998 through 2000

	<i>1999 Accomplishments</i>	<i>2000</i>	<i>2001</i>
RM - Human Resources: Alternative Compensation	<ul style="list-style-type: none"> <li>Pursued demonstration authority and initiated a demonstration project in a pilot environment.</li> </ul>	<ul style="list-style-type: none"> <li>Evaluate the alternative compensation pilot.</li> </ul>	
RM - Human Resources: Enhanced Labor Management	<ul style="list-style-type: none"> <li>Established Partnership arrangements with PTO's three unions.</li> <li>Benchmarked successful labor relations in private and public sectors.</li> </ul>	<ul style="list-style-type: none"> <li>Train PTO managers on best practices, and achieve effective information sharing of pre-decisions/continuous improvement.</li> </ul>	
RM - Human Resources: Career Transition	<ul style="list-style-type: none"> <li>Pursued authorities for career transition alternatives.</li> </ul>	<ul style="list-style-type: none"> <li>Implement career transition alternatives and upskilling.</li> </ul>	<ul style="list-style-type: none"> <li>Continue implementation of career transition alternatives and upskilling.</li> </ul>
RM - Financial Management: Financial: Policies and Practices	<ul style="list-style-type: none"> <li>No material internal control weakness.</li> <li>No material violations of laws and regulations.</li> <li>No reportable conditions.</li> </ul>	<ul style="list-style-type: none"> <li>No material internal control weakness.</li> <li>No material violations of laws and regulations.</li> <li>No reportable conditions.</li> </ul>	<ul style="list-style-type: none"> <li>No material internal control weakness.</li> <li>No material violations of laws and regulations.</li> <li>No reportable conditions.</li> </ul>
RM - Financial Management: Financial Statements and Reports	<ul style="list-style-type: none"> <li>Unqualified opinion on financial statements.</li> </ul>	<ul style="list-style-type: none"> <li>Unqualified opinion on financial statements.</li> </ul>	<ul style="list-style-type: none"> <li>Unqualified opinion on financial statements.</li> </ul>
RM - Financial Management: Financial Management Systems	<ul style="list-style-type: none"> <li>Systems meet all JFMIP requirements.</li> <li>Systems are SGL compliant at the transaction level.</li> <li>Systems are year 2000 compliant.</li> <li>All delinquent debt is transferred to Treasury.</li> <li>95% of vendor payments made by EFT.</li> <li>97% of payroll made by EFT.</li> </ul>	<ul style="list-style-type: none"> <li>Systems meet all JFMIP requirements.</li> <li>Systems are SGL compliant at the transaction level.</li> <li>Systems are year 2000 compliant.</li> <li>All delinquent debt is transferred to Treasury.</li> <li>95% of vendor payments made by EFT.</li> <li>97% of payroll made by EFT.</li> </ul>	<ul style="list-style-type: none"> <li>Systems meet all JFMIP requirements.</li> <li>Systems are SGL compliant at the transaction level.</li> <li>All delinquent debt is transferred to Treasury.</li> <li>95% of vendor payments made by EFT.</li> <li>97% of payroll made by EFT.</li> </ul>
RM – PTO Space Consolidation	<ul style="list-style-type: none"> <li>Issued program of requirements.</li> <li>Completed furniture inventory.</li> </ul>	<ul style="list-style-type: none"> <li>Award lease for new PTO campus.</li> <li>Obligate sufficient funds within the planned budget to ensure project is on schedule.</li> <li>Commence design and construction.</li> </ul>	<ul style="list-style-type: none"> <li>Outyear milestones are dependent upon pending and expected litigation as a result of the June 14, 1999 announcement of the successful offeror.</li> </ul>

	<i>1999 Accomplishments</i>	<i>2000</i>	<i>2001</i>
Enterprise Infrastructure	<ul style="list-style-type: none"> <li>• Provided a secure PTOnet.</li> <li>• Completed installation of alternate routing and provide redundancy for PTOnet.</li> <li>• Established a pilot Electronic Mailroom.</li> <li>• Completed a <i>Y2K Business Contunity and Contingency Plan</i>.</li> <li>• Ensured all infrastructure components and applications are Y2K compliant.</li> <li>• Improved disaster-recovery capability by completing contingency plans for each major system.</li> <li>• Identified electronic records management requirements for all PTO business operations.</li> <li>• Upgraded PTOnet speed for select applications.</li> <li>• Standardized patent data elements.</li> <li>• Expanded access to PTO information repository.</li> <li>• Piloted enterprise requirements management.</li> <li>• Piloted automated process for system acceptance testing.</li> </ul>	<ul style="list-style-type: none"> <li>• Begin implementation of a program for routine replacement of office automation and application servers, high-speed printers, and production scanners.</li> <li>• Complete transition to an open system standards-based architecture.</li> <li>• Improve management of the PTO's physical information technology assets.</li> <li>• Improve monitoring of the PTO's distributed IT environment.</li> <li>• Institutionalize the Data Quality Program</li> <li>• Improve problem resolution for desktop services.</li> <li>• Streamline approach to handling contract and task order management.</li> <li>• Complete a data center archival and disaster recovery plan.</li> <li>• Improve enterprise requirements management.</li> <li>• Improve enterprise configuration management.</li> <li>• Implement an automated process for system acceptance testing.</li> </ul>	<ul style="list-style-type: none"> <li>• Establish electronic mailroom/public key infrastructure to improve information security.</li> <li>• Replace PTOnet.</li> </ul>



## Patent and Trademark Office **Activity-Based Costing Project**

### Background

PTO is at the forefront in the use of Activity-Based Costing and Activity-Based Budgeting. Corporate Plan-2001 continues to incorporate the results of our activity-based costing effort in our annual budget submission. Activity-based costing is generating unit cost models that meet Federal accounting standards for products and services for each of our business areas. The models that have been developed enable us to portray the overall costs (expenses) of doing business by major business line (that is, Patents, Trademarks, Information Dissemination and Policy).

Utilizing activity-based costing techniques, PTO can accurately accumulate, analyze, and distribute costs to the major business lines -- Patents, Trademarks, Information Dissemination -- and Policy. This rigorous process produces accurate activity and object costs, including unburdened costs as well as costs that are fully burdened with indirect expenditures. This cost accounting work was initiated in fiscal year 1997, but the methodology is continually reviewed, refined, and improved. For instance, the methodology used to allocate information technology costs in fiscal year 1997 was based on a labor-intensive process involving personnel interviews and research of procurement documents. In the following year, the information technology cost allocation effort was improved through a more simplified methodology, which utilizes project codes and is more accurate in addition to being automated and auditable. As the cost allocation methodologies continue to improve for accuracy, trend figures will also become more reliable for analysis and budget estimates.

Activity-Based Budgeting enables us to take the cost models that include actual costs from the previous year and apply the percentage distribution to the planned obligations for the current or budget year. This enables us to present a budget structure wherein we identify performance goals and measures for each of our major business lines and our policy activities, and link them to resource requirements.

Exhibit 8

DEPARTMENT OF COMMERCE

Patent and Trademark Office

Salaries and Expenses

ADJUSTMENTS TO BASE

(Dollar amounts in thousands)

	FTP	FTE	Amount
<b>ADJUSTMENTS</b>			
Full Time Permanent (FTP) Adjustment	(261)	0	0
Transfer to GA Security from bureaus			(1,414)
Subtotal, adjustments	(261)	0	(1,414)
<b>OTHER COST CHANGES</b>			
2000 Pay Raise			4,778
2001 Pay Raise			12,567
Working Capital Fund Pay Raise			94
Full-year cost in 2001 for positions financed for part-year in 2000	0	107	3,958
Within-grade step increases			5,026
Changes in compensable day			(1,760)
Civil Service Retirement System (CSRS)			(2,752)
Federal Employees Retirement System (FERS)			3,460
Thrift Savings Plan			647
Federal Insurance Contribution Act (FICA) - OASDI			2,154
Health insurance			2,453
Employee Compensation Fund			11
Travel			50
Rental payments to GSA			1,243
Printing and reproduction			1,606
Other Services:			
Working Capital Fund			149
Executive Development and Leadership Training			165
CAMS			783
National Archives and Records Administration (NARA) storage costs			(103)
General Pricing Level Adjustment			3,789
Subtotal, other cost changes	0	107	38,318
<b>TOTAL ADJUSTMENTS TO BASE</b>	(261)	107	36,904

**DEPARTMENT OF COMMERCE**  
**Patent and Trademark Office**  
Salaries and Expenses  
**JUSTIFICATION OF ADJUSTMENTS TO BASE**  
(Dollars in thousands)

	<u>FTP</u>	<u>FTE</u>	<u>Amount</u>
<u>Adjustments</u>	<u>(261)</u>	<u>0</u>	<u>(1,414)</u>
Full-Time Permanent Position (FTP) Adjustment..... (261)			
The PTO is adjusting the number of Full-Time Permanent Positions (FTP) in an effort to realign FTP to FTE in FY 2001. The adjustments are for unfunded and unfilled positions and do not impact on any personnel in the PTO but does represent our FTP's more accurately in relation to our FTE's.			
Transfer to GA Security from Bureaus..... (1,414)			
A transfer of \$1,414,000 from the PTO Working Capital Fund to GA for security.			
<u>2000 Pay Raise</u>	<u>0</u>	<u>0</u>	<u>4,778</u>
Full Year of 2000 pay increase and related costs			
A pay raise of 4.8% is to be effective January 1, 2000.			
Total cost in 2001 of 2000 pay increase.....			17,917,000
Less amount funded in 2000.....			-13,139,000
Less amount absorbed.....			0
Amount requested in 2001 to provide full-year cost of 2000 pay increase.....			4,778,000
Total cost of Working Capital Find increase.....			0
Less amount funded in 2000.....			0
Total, adjustment for 2000 pay increase.....			4,778,000

**DEPARTMENT OF COMMERCE**  
**Patent and Trademark Office**  
Salaries and Expenses  
**JUSTIFICATION OF ADJUSTMENTS TO BASE**  
(Dollars in thousands)

	<u>FTP</u>	<u>FTE</u>	<u>Amount</u>
2001 Pay Raise	0	0	12,661

A general pay raise of 3.7% is assumed to be effective January 1, 2001.

Total cost in 2001 of pay increase.....	12,567,000
Less amount absorbed in FY 2001.....	0
Amount requested for 2001 pay increase.....	12,567,000
Payment to Working Capital Fund.....	94,000
Total, adjustment for 2001 pay increase.....	12,661,000

Full-year cost in 2001 of positions financed for part-year in 2000	0	107	3,958
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An increase of \$3,957,656 is required to fund the full-year cost in 2001 of positions financed for part-year in 2000. The computation follows:

Annual salary of new positions in 2000.....	232	12,090,448
2000 Pay Raise.....	0	580,342
Less 5 percent lapse.....	-12	-633,540
Full-year cost of personnel compensation.....	220	12,037,250
Less personnel compensation in 2000.....	-113	-8,985,202
Cost of personnel compensation in 2001.....	107	3,052,048
Adjustment for 2001 pay raise (.037 x .75 x \$3,052,048).....	0	84,694
Amount required for personnel compensation.....	0	3,136,742
Benefits.....	0	820,914
Total adjustment-to-base.....	107	3,957,656

**DEPARTMENT OF COMMERCE**  
**Patent and Trademark Office**  
Salaries and Expenses  
**JUSTIFICATION OF ADJUSTMENTS TO BASE**  
(Dollars in thousands)

	<u>FTP</u>	<u>FTE</u>	<u>Amount</u>
Within-grade step increases	0	0	5,026
<p>An increase of \$5,026,028 is required to cover the cost of within-grade step increases. This estimate reflects the net cost of step increases including merit pay increases which will be earned in 2001.</p>			
Estimated number of within-grade step increases.....	3,346		
Step increases not earned due to turnover (9.5% x 3,346).....	318		
Average step above step 1 per separation.....	3		
Average cost per within-grade step increase.....	1,776		
Gross cost of scheduled step increase (\$1,776 x 3,346).....	5,942,496		
Less savings due to separations (\$1,776 x 318 x 3).....	-1,694,304		
Subtotal, personnel compensation.....	4,248,192		
Benefits.....	777,836		
Total adjustment-to-base.....	5,026,028		
Change in compensable days	0	0	(1,760)
<p>The decreased cost of one less compensable day in 2001 compared to 2000 is calculated by dividing the 2000 estimated personnel compensation (\$397,123,000) and applicable benefits (\$63,301,000) by 261 compensable days. The cost decrease of one less compensable day is \$1,760,245.</p>			

**DEPARTMENT OF COMMERCE**  
**Patent and Trademark Office**  
Salaries and Expenses  
**JUSTIFICATION OF ADJUSTMENTS TO BASE**  
(Dollars in thousands)

	<u>FTP</u>	<u>FTE</u>	<u>Amount</u>
Civil Service Retirement System (CSRS)	0	0	(2,752)
<p>The number of employees covered by the Civil Service Retirement System (CSRS) continues to drop as positions become vacant and are filled by employees who are covered by the Federal Employees Retirement System (FERS). The estimated percentage of payroll for employees covered by CSRS will drop from 29.4% in 2000 to 20.9% in 2001 for regular employees. The contribution rate of 8.51% remained the same from FY 2000 to FY 2001.</p>			
Regular:			
2001 \$380,385,000 x .209 x .0851.....			6,765,490
2000 \$380,385,000 x .294 x .0851.....			-9,517,004
Total adjustment-to-base.....			-2,751,514
Federal Employees Retirement System (FERS)	0	0	3,460
<p>The number of employees covered by FERS continues to rise as employees covered by CSRS leave and are replaced by employees covered by FERS. The estimated percentage of payroll for employees covered by FERS will rise from 70.6% in 2000 to 79.1% in 2001 for regular employees. The contribution rate of 10.7% will remain the same from FY 2000 to FY 2001 for regular employees.</p>			
Regular:			
2001 \$380,385,000 x .791 x .107.....			32,194,645
2000 \$380,385,000 x .706 x .107.....			-28,735,044
Total adjustment-to-base.....			3,459,601

**DEPARTMENT OF COMMERCE**  
**Patent and Trademark Office**  
Salaries and Expenses  
**JUSTIFICATION OF ADJUSTMENTS TO BASE**  
(Dollars in thousands)

	<u>FTP</u>	<u>FTE</u>	<u>Amount</u>
Thrift Savings Plan (TSP)	0	0	647
<p>The cost of agency contributions to the Thrift Savings Plan will also rise as FERS participation increases. The contribution rate is expected to remain 2%.</p>			
Regular:			
2001 \$380,385,000 x .791 x .02.....			6,017,691
2000 \$380,385,000 x .706 x .02.....			-5,371,036
Total adjustment-to-base.....			646,655
Federal Insurance Contribution Act (FICA)	0	0	2,154
<p>As the percentage of payroll covered by FERS rises, the cost of OASDI contributions will increase. In addition, the maximum salary subject to OASDI will rise from \$73,275 in 2000 to \$78,450 in 2001. The OASDI tax rate will remain 6.2% in 2001.</p>			
Regular:			
2001 \$380,385,000 x .791 x .986 x .062.....			18,393,673
2000 \$380,385,000 x .706 x .984 x .062.....			-16,383,809
Subtotal.....			2,009,864
Other:			
2001 \$27,338,958 x .791 x .986 x .062.....			1,321,987
2000 \$27,338,958 x .706 x .984 x .062.....			-1,177,534
Subtotal.....			144,453
Total adjustment-to-base.....			2,154,317

**DEPARTMENT OF COMMERCE**  
**Patent and Trademark Office**  
Salaries and Expenses  
**JUSTIFICATION OF ADJUSTMENTS TO BASE**  
(Dollars in thousands)

	<u>FTP</u>	<u>FTE</u>	<u>Amount</u>
Health Insurance	0	0	2,453
<p>Effective January 1998, PTO's contribution to Federal employees' health insurance premiums increased by 13.04%. Applied against the 2000 estimate of \$18,812,000 the amount of increase \$2,453,085.</p>			
Employees' Compensation Fund	0	0	11
<p>The Employees' Compensation Fund bill for the year ending June 30, 2001, is \$11,000 more than the bill for the year ending June 30, 2000. The charges will be reimbursed to the Department of Labor pursuant to 5 U.S.C. 8147.</p>			
Travel	0	0	50
<p>A adjustment-to-base for the additional cost anticipated for purchases of airline tickets in contracting with a travel agency under the new travel method in the amount of \$50,000.</p>			
Rental Payments to GSA	0	0	1,243
<p>GSA rates are projected to increase 2.1% in 2001. This percentage was applied to the 2000 estimate of \$59,175,000 to arrive at an increase of \$1,242,675.</p>			



**DEPARTMENT OF COMMERCE**  
**Patent and Trademark Office**  
Salaries and Expenses  
**JUSTIFICATION OF ADJUSTMENTS TO BASE**  
(Dollars in thousands)

	<u>FTP</u>	<u>FTE</u>	<u>Amount</u>
<u>GPO Printing</u>	0	0	1,606
GPO has provided an estimated rate increase of 3.3%. This percentage was applied as follows.			
Other GPO Printing: The percentage was applied to the 2000 estimate of \$3,640,000 to arrive at an increase of \$120,120.....			120,120
Trademark GPO Printing: The percentage was applied to the 2000 estimate of \$2,056,000 to arrive at an increase of \$67,848.....			67,848
Patent GPO Printing: The percentage was applied to the 2000 estimate of \$42,971,000 to arrive at an increase of \$1,418,043.....			1,418,043
Total GPO Printing adjustments-to-base.....			<u>1,606,011</u>
<u>Working Capital Fund</u>	0	0	149
An additional \$149,000 is required to fund cost increases in the Department Working Capital Fund to maintain the current level of operations.			
<u>Executive Development and Leadership Training</u>	0	0	165
Consistent with the Department of Commerce SES 2000 plan \$5,000 is allocated for development and leadership training for each Senior Executive Service onboard position. Currently the PTO has 33 SES onboard positions. The PTO is requesting a total of \$165,000 (33 x \$5,000) for executive leadership and development training.			

**DEPARTMENT OF COMMERCE**  
**Patent and Trademark Office**  
Salaries and Expenses  
**JUSTIFICATION OF ADJUSTMENTS TO BASE**  
(Dollars in thousands)

	<u>FTP</u>	<u>FTE</u>	<u>Amount</u>
National Archives and Records Administration (NARA) storage costs	0	0	(103)
<p>In FY 2000, NARA began billing agencies for records storage and maintenance costs. Record center holdings are expected to decrease in FY 2001  The FY 2001 estimate for the PTO is -\$103,169.</p>			
Commerce Administrative Management System (CAMS Bureau Specific)	0	0	783
<p>An adjustment-to-base of \$783,000 is required for the Commerce Administrative Management System.</p>			
General Pricing Level Adjustment	0	0	3,789
<p>This request applies OMB economic assumptions for 2000 to subobject classes where the prices that the Government pays are established through the market system. Factors are applied to transportation of things (\$6,750); rental payments to others (\$7,755); communications, utilities, miscellaneous charges (excluding postage and FTS) (\$108,810); other services (\$2,892,060); supplies and materials (\$236,190); and equipment (\$536,280).</p>			
SubTotal, other changes	0	107	38,318
Total, adjustments-to-base	(261)	107	36,904

## Exhibit 16

**DEPARTMENT OF COMMERCE**  
**Patent and Trademark Office**  
**Salaries and Expenses**  
**DETAILED REQUIREMENTS BY OBJECT CLASS**  
(Dollar amounts in thousands)

<b>Object Class Title:</b>	<b>FY 1999 Actual</b>	<b>FY 2000 Currently Available</b>	<b>FY 2001 Adjust. To Base</b>	<b>FY 2001 Base</b>	<b>FY 2001 Budget Estimate</b>	<b>FY 2001 Increase (Decrease)</b>
Full-Time Equivalent Employment:						
Full-Time Permanent.....	5,719	6,504	107	6,611	7,152	541
Other Than Full-Time Permanent.....	141	297	0	297	297	0
Total Full-Time Equivalent Employment.....	5,860	6,801	107	6,908	7,449	541
Authorized Positions:						
Full-Time Permanent.....	6,066	7,289	(261)	7,028	7,684	656
Other Than Full-Time Permanent.....	297	297	0	297	297	0
Total Authorized Positions.....	6,363	7,586	(261)	7,325	7,981	656

**DEPARTMENT OF COMMERCE**  
**Patent and Trademark Office**  
**Salaries and Expenses**  
**DETAILED REQUIREMENTS BY OBJECT CLASS**  
(Dollar amounts in thousands)

Object Class	Object Class Title:	FY 1999 Actual	FY 2000 Currently Available	FY 2001 Adjust. To Base	FY 2001 Base	FY 2001 Budget Estimate	FY 2001 Increase (Decrease)
	Personnel Compensation:						
11.1	Full-Time Permanent Compensation.....	323,985	377,050	20,478	396,735	431,547	34,812
11.3	Other Than Full-Time Permanent Compensation.....	5,158	5,296	242	5,538	5,538	0
11.5	Other Personnel Compensation.....	29,932	23,291	0	23,291	23,491	200
	Total Personnel Compensation.....	359,075	405,637	20,720	425,564	460,576	35,012
12.0	Personnel Benefits.....	79,305	81,631	9,916	91,547	121,294	29,747 /1
13.0	Benefits for Former Personnel.....	27	140	0	140	140	0
21.0	Travel and Transportation of Persons.....	2,973	1,878	50	1,928	1,928	0
22.0	Transportation of Things.....	542	450	7	457	457	0
23.1	Rental Payments to GSA.....	57,907	65,293	1,243	60,418	60,418	0
23.2	Rental Payments to Others.....	1,268	517	8	525	525	0
23.3	Communications, Utilities, and Misc. Charges.....	11,613	10,961	109	11,070	11,070	0
24.0	Printing and Reproduction.....	40,512	37,966	1,606	39,572	44,540	4,968
25.1	Advisory and Assistance Services.....	4,709	1,289	19	1,308	1,308	0
25.2	Other Services.....	175,804	209,102	3,435	210,252	246,602	36,350
25.3	Purchase of Goods and Services from Gov't Accounts.....	9,758	26,854	(981)	25,873	25,873	0
26.0	Supplies and Materials.....	6,092	8,911	236	5,304	6,511	1,207
31.0	Equipment.....	53,633	30,130	536	30,666	57,190	26,524
32.0	Lands and Structures.....	0	0	0	0	0	0
33.0	Investments and Loans.....	0	0	0	0	0	0
41.0	Grants, Subsidies and Contributions.....	0	0	0	0	0	0
42.0	Insurance Claims and Indemnities.....	93	300	0	300	300	0
43.0	Interest and Dividends.....	0	0	0	0	0	0
44.0	Refunds.....	0	0	0	0	0	0
	Total Direct Obligations.....	803,311	881,059	36,904	904,924	1,038,732	133,808
	Less: Financing from Offsetting Collections.....	886,915	984,000	36,904	904,924	1,151,587	246,663
	Less: Offsetting Collections (unavailable balances from prior year).....	108,316	116,000	0	0	254,889	254,889
	Less: Portion not Available for Obligation (limitation on obligations).....	(141,889)	(229,000)	0	0	(367,744)	(367,744)
	Less: Unobligated Balance, EOY.....	(3,039)	0	0	0	0	0
	Less: Prior Year Unobligated Balance Brought Forward.....	13,263	3,039	0	0	0	0
	Less: Estimated Recoveries of Prior Year Obligations.....	11,794	10,000	0	0	0	0
	Financing/(Rescission) from Direct Appropriated Funds.....	(72,049)	(2,980)	0	0	0	0
	Plus: Prior Year Offsetting Collections.....	108,316	116,000	0	0	254,889	254,889
	Total Appropriation.....	36,267	113,020	0	0	254,889	254,889
	Plus: Change in Offsetting Collections (unavailable balances).....	(141,889)	(229,000)	0	0	(367,744)	(367,744)
	Total Budget Authority.....	(105,622)	(115,980)	0	0	(112,855)	(112,855)

/1 FY 2001 Presidents Budget includes \$20,000 to be transferred to the Office of Personnel Management (OPM) to pay for PTO employees' post-retirement health and life insurance.

**DEPARTMENT OF COMMERCE**  
**Patent and Trademark Office**  
**Salaries and Expenses**  
**DETAILED REQUIREMENTS BY OBJECT CLASS**  
(Dollar amounts in thousands)

Object Class	Object Class Title:	FY 1999 Actual	FY 2000 Currently Available	FY 2001 Adjust. To Base	FY 2001 Base	FY 2001 Budget Estimate	FY 2001 Increase (Decrease)
11	Personnel Compensation:						
11.1	Full-Time Permanent Positions:						
	Executive Level.....	523	564	25	589	589	0
	Senior Executive Service.....	5,795	6,248	279	6,527	6,527	0
	General Schedule.....	309,655	361,600	19,787	380,594	414,362	33,768
	Wage Board.....	302	325	15	340	340	0
	Patent Appeals Examiners (P.L. 82-593).....	6,182	6,665	298	6,963	7,382	419
	Trademark Appeals Examiners (P.L. 98-622).....	1,528	1,648	74	1,722	2,347	625
	Total, Full-Time Permanent Positions.....	323,985	377,050	20,478	396,735	431,547	34,812
11.3	Positions Other Than Full-Time Permanent:						
	General Schedule.....	4,934	5,179	235	5,414	5,414	0
	Wage Board.....	193	63	4	67	67	0
	Intermittent.....	31	54	3	57	57	0
	Total, Positions Other Than FT Permanent.....	5,158	5,296	242	5,538	5,538	0
11.5	Other Personnel Compensation:						
	Overtime.....	16,933	12,276	0	12,276	12,276	0
	Night Differential - Premium Pay.....	318	314	0	314	314	0
	Awards.....	12,681	10,701	0	10,701	10,901	200
	Total, Other Personnel Compensation.....	29,932	23,291	0	23,291	23,491	200
11.9	Total Personnel Compensation.....	359,075	405,637	20,720	425,564	460,576	35,012

**DEPARTMENT OF COMMERCE**  
**Patent and Trademark Office**  
**Salaries and Expenses**  
**DETAILED REQUIREMENTS BY OBJECT CLASS**  
(Dollar amounts in thousands)

Object Class	Object Class Title:	FY 1999 Actual	FY 2000 Currently Available	FY 2001 Adjust. To Base	FY 2001 Base	FY 2001 Budget Estimate	FY 2001 Increase (Decrease)
12.0	Civilian Personnel Benefits:						
	Civil Service Retirement.....	8,306	6,474	(2,421)	4,053	4,053	0
	Federal Employee Retirement System (FERS).....	24,469	29,068	5,216	34,284	58,126	23,842 /1
	Thrift Plan Contributions.....	8,733	5,525	975	6,500	7,229	729
	Federal Insurance Contributions Act (FICA).....	15,187	15,597	3,169	18,766	20,869	2,103
	Medicare.....	5,219	5,065	296	5,361	5,962	601
	Health Insurance.....	15,223	18,812	2,630	21,442	23,845	2,403
	Life Insurance.....	576	572	40	612	681	69
	Recruitment Allowance.....	1,140	0	0	0	0	0
	Employees Compensation Fund.....	452	518	11	529	529	0
	Total, Civilian Personnel Benefits.....	79,305	81,631	9,916	91,547	121,294	29,747
13.0	Benefits for Former Personnel.....	27	140	0	140	140	0
21.0	Travel and Transportation of Persons:						
	Transportation - Domestic.....	920	708	35	743	743	0
	Transportation - International.....	489	356	15	371	371	0
	Local Travel.....	626	24	0	24	24	0
	Relocation Travel.....	393	0	0	0	0	0
	Per Diem Allowances.....	426	651	0	651	651	0
	Rental Car Expenses.....	16	33	0	33	33	0
	Privately-Owned Automobiles.....	9	12	0	12	12	0
	Rental of GSA Vehicles.....	94	94	0	94	94	0
	Total, Travel and Transportation of Persons.....	2,973	1,878	50	1,928	1,928	0
22.0	Transportation of Things:						
	Freight-Out.....	31	7	0	7	7	0
	Freight-In.....	0	9	0	9	9	0
	Parcel Post.....	484	392	6	398	398	0
	Other.....	27	42	1	43	43	0
	Total, Transportation of Things.....	542	450	7	457	457	0

**DEPARTMENT OF COMMERCE**  
**Patent and Trademark Office**  
**Salaries and Expenses**  
**DETAILED REQUIREMENTS BY OBJECT CLASS**  
(Dollar amounts in thousands)

Object Class	Object Class Title:	FY 1999 Actual	FY 2000 Currently Available	FY 2001 Adjust. To Base	FY 2001 Base	FY 2001 Budget Estimate	FY 2001 Increase (Decrease)
23.1	Rental Payments to GSA.....	57,907	65,293	1,243	60,418	60,418	0
23.2	Rental Payments to Others.....	1,268	517	8	525	525	0
23.3	Communications, Utilities, and Misc. Charges:						
	Rental of ADP Equipment.....	400	570	11	581	581	0
	Rental of Office Copying Equipment.....	121	84	1	85	85	0
	Other Equipment Rental.....	33	392	8	400	400	0
	Federal Telecommunications Systems.....	2,618	2,553	0	2,553	2,553	0
	Other Telecommunications Systems.....	3,746	2,937	57	2,994	2,994	0
	Postal Services by USPS.....	3,155	2,797	0	2,797	2,797	0
	Utilities Services.....	1,540	1,628	32	1,660	1,660	0
	Total, Comm, Utilities, and Misc. Charges.....	11,613	10,961	109	11,070	11,070	0
24.0	Printing and Reproduction:						
	Patent Printing.....	35,350	32,981	1,418	34,399	39,347	4,948
	Trademark Printing.....	1,573	1,578	68	1,646	1,646	0
	General Printing.....	913	954	8	962	982	20
	Publications.....	442	435	15	450	450	0
	Internal Use Forms.....	24	613	0	613	613	0
	Other Printing.....	2,210	1,405	97	1,502	1,502	0
	Total, Printing and Reproduction.....	40,512	37,966	1,606	39,572	44,540	4,968

**DEPARTMENT OF COMMERCE**  
**Patent and Trademark Office**  
**Salaries and Expenses**  
**DETAILED REQUIREMENTS BY OBJECT CLASS**  
(Dollar amounts in thousands)

Object Class	Object Class Title:	FY 1999 Actual	FY 2000 Currently Available	FY 2001 Adjust. To Base	FY 2001 Base	FY 2001 Budget Estimate	FY 2001 Increase (Decrease)
25.1	Advisory and Assistance Services:						
	Management & Professional Support Services.....	4,709	1,289	19	1,308	1,308	0
	Studies, Analyses, & Evaluation.....	0	0	0	0	0	0
	Engineering & Technical Services.....	0	0	0	0	0	0
	Subtotal.....	4,709	1,289	19	1,308	1,308	0
25.2	Other Services:						
	Training:						
	University.....	2,540	3,729	56	3,785	3,785	0
	Other.....	4,746	6,232	94	6,326	6,326	0
	Maintenance of Equipment.....	20,876	13,858	208	14,066	14,066	0
	GSA Alterations and Repairs.....	3,561	2,188	33	2,221	2,221	0
	ADP Operations.....	68,524	62,863	943	63,806	63,806	0
	Telecommunications Services.....	9,207	4,792	72	4,864	4,864	0
	Guard Services.....	1,437	723	11	734	734	0
	CAMS Bureau Specific.....	0	0	783	783	783	0
	Other Contracts.....	64,913	114,717	1,235	113,667	150,017	36,350
	Subtotal.....	175,804	209,102	3,435	210,252	246,602	36,350
25.3	Purchase of Goods and Services from Gov't Accounts:						
	Office of Personnel Management Training.....	353	0	0	0	0	0
	GSA Services.....	0	14,828	222	15,050	15,050	0
	Executive Development and Leadership Training.....	0	0	165	165	165	0
	National Archives and Records Administration (NARA).....	0	513	(103)	410	410	0
	WCF Transfer to GA Security.....	0	0	(1,414)	(1,414)	(1,414)	0
	Payment to GA, WCF (CAMS Bureau Shared).....	10	1,385	0	1,385	1,385	0
	Payment to GA, WCF.....	9,395	10,128	149	10,277	10,277	0
	Subtotal.....	9,758	26,854	(981)	25,873	25,873	0



**DEPARTMENT OF COMMERCE**  
**Patent and Trademark Office**  
**Salaries and Expenses**  
**DETAILED REQUIREMENTS BY OBJECT CLASS**  
(Dollar amounts in thousands)

Object Class	Object Class Title:	FY 1999 Actual	FY 2000 Currently Available	FY 2001 Adjust. To Base	FY 2001 Base	FY 2001 Budget Estimate	FY 2001 Increase (Decrease)
26.0	Supplies and Materials:						
	Office Supplies.....	1,226	863	24	538	660	122
	ADP Supplies.....	608	1,364	38	850	1,043	193
	Microfilm Supplies.....	1,055	899	25	560	687	127
	Other Supplies.....	528	941	26	586	719	133
	Books and Periodicals.....	1,898	4,310	108	2,437	2,993	556
	Paper for Office Copying Equipment.....	777	534	15	333	409	76
	Total, Supplies and Materials.....	6,092	8,911	236	5,304	6,511	1,207
31.0	Equipment:						
	Office Machines and Equipment (Capitalized).....	0	0	0	0	0	0
	Office Machines and Equipment (Non-Capitalized).....	1,630	1,452	25	1,477	2,755	1,278
	APS Equipment (Capitalized).....	9,584	529	9	538	1,003	465
	APS Equipment (Non-Capitalized).....	0	116	2	118	220	102
	ADP Equipment (Capitalized).....	24,728	18,937	337	19,274	35,944	16,670
	ADP Equipment (Non-Capitalized).....	3,409	817	15	832	1,552	720
	ADP Software (Capitalized).....	7,656	3,845	69	3,914	7,299	3,385
	ADP Software (Non-Capitalized).....	0	0	0	0	0	0
	ADP Software (Expensed).....	1,116	316	6	322	601	279
	Furniture and Fixtures (Capitalized).....	1,843	2,153	38	2,191	4,086	1,895
	Furniture and Fixtures (Non-Capitalized).....	626	284	5	289	539	250
	Office Furniture and Equipment (Capitalized).....	1,878	1,360	24	1,384	2,581	1,197
	Office Furniture and Equipment (Non-Capitalized).....	1,163	321	6	327	610	283
	Total, Equipment.....	53,633	30,130	536	30,666	57,190	26,524
42.0	Insurance Claims and Indemnities.....	93	300	0	300	300	0
43.0	Interest and Dividends.....	0	0	0	0	0	0
	Total Direct Obligations.....	803,311	881,059	36,904	904,924	1,038,732	133,808

/1 FY 2001 Presidents Budget includes \$20,000 to be transferred to the Office of Personnel Management (OPM) to pay for PTO employees' post-retirement health and life insurance.

**DEPARTMENT OF COMMERCE**  
 Patent and Trademark Office  
 Salaries and Expenses  
**ADVISORY AND ASSISTANCE SERVICES**  
 (Dollar amounts in thousands)

	1999 Actual	2000 Currently Available	2001 Estimate
Management and Professional Support Services.....	\$4,709	\$1,289	\$1,308
Studies, Analyses and Evaluations.....	0	0	0
Engineering and Technical Services.....	0	0	0
TOTAL.....	\$4,709	\$1,289	\$1,308
Memorandum (non-add) entry:			
Amounts included in the categories			
listed above for R&D activities.....	\$0	\$0	\$0

**DEPARTMENT OF COMMERCE**  
 Patent and Trademark Office  
 Salaries and Expenses  
**PERIODICALS, PAMPHLETS AND AUDIOVISUAL PRODUCTS**  
 (Dollar amounts in thousands)

	1999 Actual	2000 Currently Available	2001 Estimate
Periodicals.....	\$28	\$81	\$83
Pamphlets.....	\$27	\$28	\$39
Audiovisuals.....	\$15	\$17	\$22
Total.....	\$70	\$126	\$144

Narrative Statement

Technical literature documents in the form of periodicals and pamphlets are essential in the patent and trademark examination process. The printing costs are reflected above. The requirement for technical literature documents is directly proportional to the workload and resultant production in patent and trademark activities. The use of audiovisuals is primarily for PTO's National Inventors Day program.

**DEPARTMENT OF COMMERCE**

Patent and Trademark Office

Salaries and Expenses

**AVERAGE GRADE AND SALARY**

	1999 Actual	2000 Currently Available	2001 President's Budget
Average ES salary	\$114,940	\$124,816	\$129,434
Average GS grade	10.06	10.12	10.11
Average GS salary	\$50,137	\$51,121	\$55,380

**U. S. DEPARTMENT OF COMMERCE**  
**PATENT AND TRADEMARK OFFICE**  
**CONSOLIDATED BALANCE SHEETS**  
*(Dollars in Thousands)*

	<b>Actual FY 1999</b>	<b>Estimate FY 2000</b>	<b>Estimate FY 2001</b>
<b>ASSETS</b>			
Intragovernmental Assets:			
Fund Balance with Treasury	\$ 673,902	\$ 775,093	\$ 884,476
Accounts Receivable	1,545	1,082	757
Advances and Prepayments	753	1,000	1,000
Total Intragovernmental Assets	<u>676,200</u>	<u>777,174</u>	<u>886,233</u>
 Cash	 9,912	 9,594	 9,594
Accounts Receivable	626	600	600
Advances and Prepayments	2338	1,000	1,000
Property and Equipment, Net	<u>129,180</u>	<u>122,224</u>	<u>127,110</u>
Total Assets	<u><u>818,256</u></u>	<u><u>910,592</u></u>	<u><u>1,024,537</u></u>

**U. S. DEPARTMENT OF COMMERCE**  
**PATENT AND TRADEMARK OFFICE**  
**CONSOLIDATED BALANCE SHEETS**  
*(Dollars in Thousands)*

	<b>Actual FY 1999</b>	<b>Estimate FY 2000</b>	<b>Estimate FY 2001</b>
<b>LIABILITIES</b>			
Intragovernmental Liabilities:			
Accounts Payable	\$ 4,189	\$ 4,555	\$ 5,267
Accrued Payroll and Benefits	4,563	5,176	3,990
Accrued Postemployment Compensation	806	864	864
Customer Deposit Accounts	2,784	2,747	2,747
Total Intragovernmental Liabilities	12,342	13,342	12,868
Accounts Payable	55,728	60,600	70,071
Accrued Payroll and Benefits	33,255	37,115	34,027
Accrued Leave	21,981	24,471	28,295
Customer Deposit Accounts	47,423	51,217	55,314
Deferred Revenues (Note 6)	279,357	333,804	378,087
Actuarial Liability (Note 5)	3,699	3,843	3,843
Total Liabilities	453,785	524,392	582,505
<b>NET POSITION</b>			
Cumulative Results of Operations	130,942	152,672	208,503
Revenue Withheld	233,529	233,529	233,529
Total Net Position	364,471	386,201	442,032
Total Liabilities and Net Position	\$ 818,256	\$ 910,592	\$ 1,024,537

**U. S. DEPARTMENT OF COMMERCE  
PATENT AND TRADEMARK OFFICE  
CONSOLIDATING STATEMENT OF NET COST**  
*(Dollars in Thousands)*

	<b>ACTUAL - FY 1999</b>				
	<b>PATENTS</b>	<b>TRADEMARKS</b>	<b>INFORMATION DISSEMINATION</b>	<b>POLICY</b>	<b>TOTAL PTO</b>
<b>PROGRAM</b>					
<b>Advancement of Commerce and Trade</b>					
Program Costs	\$ 680,533	\$ 109,390	\$ -	\$ 15,251	\$ 805,174
Earned Revenues	(777,668)	(98,208)	-	-	(875,876)
Net Program Costs	(97,136)	11,182	-	15,251	(70,702)
<b>Collection, Analysis, and Dissemination of Statistical and Technical Information</b>					
Program Costs	-	-	\$ 56,671	-	56,671
Earned Revenues	-	-	(33,479)	-	(33,479)
Net Program Costs	-	-	23,192	-	23,192
Net (Income)/Cost from Operations	\$ (97,136)	\$ 11,182	\$ 23,192	\$ 15,251	\$ (47,510)
<b>TOTAL ENTITY</b>					
Program Costs	\$ 680,533	\$ 109,390	\$ 56,671	\$ 15,251	\$ 861,845
Earned Revenues	(777,668)	(98,208)	(33,479)	-	(909,355)
Net (Income)/Cost from Operations	\$ (97,135)	\$ 11,182	\$ 23,192	\$ 15,251	\$ (47,510)

**U. S. DEPARTMENT OF COMMERCE  
PATENT AND TRADEMARK OFFICE  
CONSOLIDATING STATEMENT OF NET COST**  
*(Dollars in Thousands)*

<b>ESTIMATE - FY 2000</b>					
	<b>PATENTS</b>	<b>TRADEMARKS</b>	<b>INFORMATION DISSEMINATION</b>	<b>POLICY</b>	<b>TOTAL PTO</b>
<b>Advancement of Commerce and Trade</b>					
Program Costs	\$ 760,168	\$ 116,989	\$ -	18,670	\$ 895,828
Earned Revenues	(816,867)	(101,552)	-	(1,677)	(920,096)
Net Program Costs	(56,699)	15,438	-	16,993	(24,268)
<b>Collection, Analysis, and Dissemination of Statistical and Technical Information</b>					
Program Costs	-	-	60,904	-	60,904
Earned Revenues	-	-	(38,836)	-	(38,836)
Net Program Costs	-	-	22,068	-	22,068
Net (Income)/Cost from Operations	\$ (56,699)	\$ 15,438	\$ 22,068	\$ 16,993	\$ (2,200)
<b>TOTAL ENTITY</b>					
Program Costs	\$ 760,168	\$ 116,989	\$ 60,904	\$ 18,670	\$ 956,732
Earned Revenues	(816,867)	(101,552)	(38,836)	(1,677)	(958,932)
Net (Income)/Cost from Operations	\$ (56,699)	\$ 15,438	\$ 22,068	\$ 16,993	\$ (2,200)



**U. S. DEPARTMENT OF COMMERCE  
PATENT AND TRADEMARK OFFICE  
CONSOLIDATING STATEMENT OF NET COST**  
*(Dollars in Thousands)*

	ESTIMATE - FY 2001				
	PATENTS	TRADEMARKS	INFORMATION DISSEMINATION	POLICY	TOTAL PTO
<b>Advancement of Commerce and Trade</b>					
Program Costs	\$ 860,773	\$ 128,686	\$ -	21,834	\$ 1,011,293
Earned Revenues	(950,664)	(114,795)	-	(1,745)	(1,067,204)
Net Program Costs	(89,891)	13,891	-	20,089	(55,912)
<b>Collection, Analysis, and Dissemination of Statistical and Technical Information</b>					
Program Costs	-	-	64,315	-	64,315
Earned Revenues	-	-	(40,596)	-	(40,596)
Net Program Costs	-	-	23,719	-	23,719
Net (Income)/Cost from Operations	\$ (89,891)	\$ 13,891	\$ 23,719	\$ 20,089	\$ (32,193)
<b>TOTAL ENTITY</b>					
Program Costs	\$ 860,773	\$ 128,686	\$ 64,315	\$ 21,834	\$ 1,075,608
Earned Revenues	(950,664)	(114,795)	(40,596)	(1,745)	(1,107,801)
Net (Income)/Cost from Operations	\$ (89,891)	\$ 13,891	\$ 23,719	\$ 20,089	\$ (32,193)

**U. S. DEPARTMENT OF COMMERCE  
PATENT AND TRADEMARK OFFICE  
CONSOLIDATED STATEMENTS OF CHANGES IN NET POSITION**

*(Dollars in Thousands)*

	<b>Actual FY 1999</b>	<b>Estimate FY 2000</b>	<b>Estimate FY 2001</b>
Net Income/(Cost) from Operations	\$ 47,510	\$ 2,200	\$ 32,193
Other Financing Sources:			
Appropriations Used		-	-
Imputed Financing	22,432	22,510	23,638
Net Increase/(Decrease) in Cumulative Results of Operatio	69,942	24,710	55,831
Increase/(Decrease) in Unexpended Appropriations	(72,049)	(2,980)	-
Increase/(Decrease) in Net Position	(2,107)	21,730	55,831
Net Position, Beginning Balance	366,578	364,471	386,201
Net Position, Ending Balance	\$ 364,471	\$ 386,201	\$ 442,032

**DEPARTMENT OF COMMERCE**  
**Patent and Trademark Office**  
**Report on Patent and Trademark Fees and Obligations**

The following report complies with the provisions of Public Law 99-607 which are set forth in Section 42 of title 35, United States Code. This law states:

**Section 42 of title 35, United States Code:**

Subsection (e) REPORT TO CONGRESS. -- The Secretary of Commerce shall, on the day on which the President submits the annual budget to the Congress, provide to the Committees on the Judiciary of the Senate and the House of Representatives –

- (1) a list of patent and trademark fee collections by the Patent and Trademark Office during fiscal year 1999;
- (2) a list of activities of the Patent and Trademark Office during the preceding fiscal year which were supported by patent fee expenditures, trademark fee expenditures, and appropriations;
- (3) budget plans for significant programs, projects, and activities of the Office, including out-year funding estimates;
- (4) any proposed disposition of surplus fees by the Office; and
- (5) such other information as the committees consider necessary.

This report consists of three tables, which are explained below:

Table 1 provides an overall summary of actual resources and obligations for patents and trademarks for FY 1999.

Table 2 shows a listing of all patent and trademark fees collected during fiscal year 1999 by fee code.

Table 3 shows the obligations incurred by each Business Area and the amount of patent and trademark fees that were used to offset these obligations during fiscal year 1999.

Plans for significant program, projects and activities, along with out-year estimates and expected use of surplus fees are included in the body of the fiscal year 2000 Corporate Plan.

Table 1

**U.S. DEPARTMENT OF COMMERCE**  
**Patent and Trademark Office**  
**FY 1999 Statement of Resources and Obligations**  
**(Dollars in Thousands)**

<b>Description</b>	<b>Patent</b>	<b>Trademark</b>	<b>Total</b>
<b>Resources:</b>			
FY 1999 Offsetting Fee Collections	\$781,169	\$105,979	\$887,148 /1
FY 1998 Unobligated Balance Forward	108,085	13,494	121,579
Recoveries of Prior Year Obligations	6,836	3,920	10,756
Federal Reimbursements	220	40	260
Public Expenditure Refunds Collected	1,038	0	1,038
Government Expenditure Refunds Collected	0	0	0
Less: Change in Public Receivables	(233)	0	(233)
Less: Current Year Funds Rescinded pursuant to P.L. 106-51	(1,049)	0	(1,049)
Less: Prior Year Funds Rescinded pursuant to P.L. 105-277	(71,000)	0	(71,000)
Less: Current Year Fees Not Available pursuant to P.L. 105-277	(141,889)	0	(141,889)
<b>Total Resources</b>	<b>\$683,177</b>	<b>\$123,433</b>	<b>\$806,610</b>
<b>Obligations Incurred</b>	<b>\$681,008</b>	<b>\$122,563</b>	<b>\$803,571</b>
<b>FY 1999 Unobligated Balance</b>	<b>\$2,169</b>	<b>\$870</b>	<b>\$3,039</b>

/1 The total offsetting collections reported in the Summary of Requirements (Exhibit 5) of \$886,915 excludes the change in public receivables of \$233 reported above (\$886,915 + \$233 = \$887,148). The reason for this difference is this report includes all collections (fees and other) whereas Exhibit 5 is reporting only fee collections.

Table 2

**U.S. DEPARTMENT OF COMMERCE**  
**Patent and Trademark Office**  
**Fee Income Report**  
**FY 1999**

<b>Fee Code</b>	<b>Fee Title</b>	<b>FY 1999 Fee Rates</b>	<b>FY 1999 Planned Fee Income</b>	<b>FY 1999 Actual Fee Income</b>	<b>FY 1999 Variance From Plan</b>
<b>Statutory Patent Fees(Large Entity):</b>					
101	Filing Original Patent Application	\$760.00	117,088,640	110,282,286	(\$6,806,354)
102	Independent Claims in Excess of 3	\$78.00	14,774,136	15,507,803	733,667
103	Total Claims in Excess of 20	\$18.00	16,985,106	19,093,289	2,108,183
104	Multiple Dependent Claims per Appln	\$260.00	2,162,680	1,931,630	(231,050)
106	Filing Design Patent Application	\$310.00	2,359,100	2,450,105	91,005
107	Filing Plant Patent Application	\$480.00	151,200	162,710	11,510
108	Filing Reissue Patent Application	\$760.00	269,040	326,755	57,715
109	Indep Claims in Excess of Orig Patent	\$78.00	74,178	96,030	21,852
110	Each Claim in Excess of 20 & Orig Pat	\$18.00	67,932	106,582	38,650
114	Provisional Application Filing Fees	\$150.00	4,107,600	4,392,108	284,508
115	First One Month Extension	\$110.00	4,336,860	4,825,347	488,487
116	Second One Month Extension	\$380.00	8,767,360	8,758,273	(9,087)
117	Third One Month Extension	\$870.00	25,201,027	23,939,010	(1,262,017)
118	Fourth One Month Extension	\$1,360.00	3,008,320	2,899,499	(108,821)
119	Notice of Appeal to Board of Appeals	\$300.00	3,675,300	3,314,670	(360,630)
120	Filing a Brief in Support of an Appeal	\$300.00	1,186,500	1,157,325	(29,175)
121	Filing a Request for an Oral Hearing	\$260.00	249,340	186,375	(62,965)
124	Initial Application for Interim Extension	\$420.00	2,100	1,680	(420)
125	Subsequent Application for Interim Extension	\$220.00	440	0	(440)
128	Extension for Response within Fifth Month	\$1,850.00	839,900	2,001,416	1,161,516
131	Continuing Patent Application - Utility Filing	\$760.00	9,618,560	15,402,681	5,784,121
132	Continuing Patent Application - Design Filing	\$310.00	173,290	50,795	(122,495)
133	Continuing Patent Application - Plant Filing	\$480.00	11,040	3,900	(7,140)
134	Continuing Patent Application - Reissue Filing	\$760.00	19,000	1,580	(17,420)
140	Reviving Abandoned Application	\$110.00	21,780	18,150	(3,630)
141	Reviving Unintent Abandoned Application	\$1,210.00	1,524,600	2,710,640	1,186,040
142	Issue of Original or Reissue Patent	\$1,210.00	128,045,830	133,381,714	5,335,884
143	Issue of Design Patent	\$430.00	2,525,390	3,157,060	631,670
144	Issue of Plant Patent	\$580.00	112,520	119,100	6,580
148	Statutory Disclaimers	\$110.00	878,350	1,053,580	175,230
183	First Stage Maintenance Fee	\$940.00	60,343,300	62,751,965	2,408,665
184	Second Stage Maintenance Fee	\$1,900.00	87,208,100	87,342,155	134,055
185	Third Stage Maintenance Fee	\$2,910.00	69,953,490	75,515,650	5,562,160

Table 2

**U.S. DEPARTMENT OF COMMERCE**  
**Patent and Trademark Office**  
**Fee Income Report**  
**FY 1999**

<b>Fee Code</b>	<b>Fee Title</b>	<b>FY 1999 Fee Rates</b>	<b>FY 1999 Planned Fee Income</b>	<b>FY 1999 Actual Fee Income</b>	<b>FY 1999 Variance From Plan</b>
956	Nat'l Fee if USPTO is IPEA and ISA	\$670.00	485,080	426,660	(58,420)
958	Nat'l Fee if USPTO is ISA but not IPEA	\$760.00	260,680	144,120	(116,560)
960	Nat'l Fee if USPTO is Not IPEA or ISA	\$970.00	2,789,720	2,128,140	(661,580)
962	Claims not in Accordance with PCT Art.	\$96.00	21,408	27,948	6,540
964	Indep. Claims in Excess of 3	\$78.00	735,540	796,153	60,613
966	Each Claim in Excess of 20	\$18.00	1,074,780	1,222,826	148,046
968	Multiple Dependent Claims	\$260.00	633,620	642,698	9,078
970	Nat'l Fee for Filing with EPO Report	\$930.00	10,380,660	11,084,080	703,420
<b>Subtotal, Statutory Patent Fees (Large Entity)</b>		. . .	\$582,123,497	\$599,414,488	\$17,290,991
<b>Statutory Patent Fees(Small Entity):</b>					
201	Filing Original Patent Application	\$380.00	23,835,500	24,262,133	\$426,633
202	Independent Claims in Excess of 3	\$39.00	2,313,285	2,714,526	401,241
203	Total Claims in Excess of 20	\$9.00	3,336,750	3,989,041	652,291
204	Multiple Dependent Claims per Appln	\$130.00	282,230	312,659	30,429
206	Filing Design Patent Application	\$155.00	1,379,190	1,453,149	73,959
207	Filing Plant Patent Application	\$240.00	80,400	96,360	15,960
208	Filing Reissue Patent Application	\$380.00	49,780	63,464	13,684
209	Indep Claims in Excess of Orig Patent	\$39.00	9,867	15,764	5,897
210	Each Claim in Excess of 20 & Orig Pat	\$9.00	6,264	13,751	7,487
214	Provisional Application Filing Fees	\$75.00	1,890,225	1,797,495	(92,730)
215	First One Month Extension	\$55.00	848,980	938,960	89,980
216	Second One Month Extension	\$190.00	1,697,650	1,778,097	80,447
217	Third One Month Extension	\$435.00	5,656,740	5,540,980	(115,760)
218	Fourth One Month Extension	\$680.00	890,120	836,966	(53,154)
219	Notice of Appeal to Board of Appeals	\$150.00	592,800	532,785	(60,015)
220	Filing a Brief in Support of an Appeal	\$150.00	142,650	169,560	26,910
221	Filing a Request for an Oral Hearing	\$130.00	29,510	24,545	(4,965)
228	Extension for Response within Fifth Month	\$925.00	251,600	534,461	282,861
231	Continuing Patent Application - Utility Filing	\$380.00	1,942,560	1,983,322	40,762
232	Continuing Patent Application - Design Filing	\$155.00	103,230	9,215	(94,015)
233	Continuing Patent Application - Plant Filing	\$240.00	5,760	0	(5,760)
234	Continuing Patent Application - Reissue Filing	\$380.00	3,420	395	(3,025)

Table 2

**U.S. DEPARTMENT OF COMMERCE**  
**Patent and Trademark Office**  
**Fee Income Report**  
**FY 1999**

Fee Code	Fee Title	FY 1999 Fee Rates	FY 1999 Planned Fee Income	FY 1999 Actual Fee Income	FY 1999 Variance From Plan
240	Reviving Abandoned Application	\$55.00	16,225	14,520	(1,705)
241	Reviving Unintent Abandoned Application	\$605.00	526,955	875,860	348,905
242	Issue of Original or Reissue Patent	\$605.00	25,325,905	25,873,665	547,760
243	Issue of Design Patent	\$215.00	1,619,810	1,803,835	184,025
244	Issue of Plant Patent	\$290.00	122,670	84,965	(37,705)
248	Statutory Disclaimers	\$55.00	198,715	224,675	25,960
283	First Stage Maintenance Fee	\$470.00	10,465,020	9,981,585	(483,435)
284	Second Stage Maintenance Fee	\$950.00	11,486,450	11,465,650	(20,800)
285	Third Stage Maintenance Fee	\$1,455.00	8,223,660	7,734,390	(489,270)
957	Nat'l Fee if USPTO is IPEA and ISA	\$335.00	63,315	86,340	23,025
959	Nat'l Fee if USPTO is ISA but not IPEA	\$380.00	38,760	37,400	(1,360)
961	Nat'l Fee if USPTO is Not IPEA or ISA	\$485.00	476,755	500,596	23,841
963	Claims not in Accordance with PCT Art.	\$48.00	5,184	7,895	2,711
965	Indep. Claims in Excess of 3	\$39.00	67,743	90,946	23,203
967	Each Claim in Excess of 20	\$9.00	120,744	154,061	33,317
969	Multiple Dependent Claims	\$130.00	57,070	66,240	9,170
971	Nat'l Fee for Filing with EPO Report	\$465.00	813,285	1,047,570	234,285
<b>Subtotal, Statutory Patent Fees (Small Entity)</b>		...	\$104,976,777	\$107,117,820	\$2,141,043
<b>Total Statutory Patent Fees</b>			\$687,100,274	\$706,532,308	\$19,432,034

Table 2

**U.S. DEPARTMENT OF COMMERCE**  
**Patent and Trademark Office**  
**Fee Income Report**  
**FY 1999**

<b>Fee Code</b>	<b>Fee Title</b>	<b>FY 1999 Fee Rates</b>	<b>FY 1999 Planned Fee Income</b>	<b>FY 1999 Actual Fee Income</b>	<b>FY 1999 Variance From Plan</b>
<b>Non-Statutory Patent Processing Fees:</b>					
105	Surcharge on Late Payment of Appln Fee	\$130.00	7,618,780	6,690,460	(\$928,320)
111	Application for Extension of Patent Term	\$1,120.00	68,320	30,210	(38,110)
112	SIR - Prior to Examiner Action	\$920.00	12,880	13,690	810
113	SIR - After Examiner Action	\$1,840.00	51,520	50,087	(1,433)
122	Petitions to the Commissioner	\$130.00	2,416,310	2,119,910	(296,400)
123	Petitions Related to Provisional Applns	\$50.00	31,550	34,050	2,500
126	Submission of Information Document	\$240.00	3,856,560	4,211,840	355,280
127	Surcharge for Filing Provisional Fee Late	\$50.00	41,550	96,150	54,600
138	Public Use Proceeding	\$1,510.00	6,040	1,510	(4,530)
139	Filing & Processing Non-English Appln	\$130.00	179,920	195,520	15,600
145	Cert of Correction, Applicant Mistake	\$100.00	629,700	710,500	80,800
146	Filing a Submission after Final Rejection	\$760.00	881,600	512,780	(368,820)
147	Filing Request for Reexamination	\$2,520.00	879,480	859,450	(20,030)
149	For Each Additional Invention to be Examined	\$760.00	12,920	8,420	(4,500)
150	PCT Transmittal Fee	\$240.00	7,466,880	7,106,410	(360,470)
151	PCT Search Fee - NO Corr US Appln	\$700.00	3,124,800	3,196,220	71,420
152	Supplemental Search	\$210.00	441,840	283,920	(157,920)
153	PCT Search Fee - Corr US Appln Filed	\$450.00	5,176,350	4,596,063	(580,287)
154	Surcharge for Filing National Fee Late	\$130.00	754,000	909,990	155,990
155	PCT - Late Payment Fee	\$0.00	140,112	147,887	7,775
156	English Translation After 20 Months	\$130.00	64,350	68,250	3,900
157	PCT - Designation Confirmation Fee	\$0.00	64,852	41,823	(23,030)
159	Overpayments - PCT	\$0.00	7,000	(2,696)	(9,696)
186	Maint Surcharge IN Grace Period	\$130.00	520,390	619,125	98,735
187	Maint Surcharge - Unavoidable	\$700.00	55,300	43,250	(12,050)
188	Maint Surcharge - Unintentional	\$1,640.00	1,517,000	1,721,095	204,095
190	PCT - Pre Exam (USPTO is ISA)	\$490.00	6,759,060	5,997,110	(761,950)
191	PCT - Pre Exam (USPTO NOT ISA)	\$750.00	1,811,250	2,099,960	288,710
192	PCT - Pre-Exam Fee per Add'l Invention	\$140.00	71,120	105,980	34,860
193	PCT - Pre-Exam Fee per Add'l Invention	\$270.00	22,140	14,300	(7,840)



Table 2

**U.S. DEPARTMENT OF COMMERCE**  
**Patent and Trademark Office**  
**Fee Income Report**  
**FY 1999**

<b>Fee Code</b>	<b>Fee Title</b>	<b>FY 1999 Fee Rates</b>	<b>FY 1999 Planned Fee Income</b>	<b>FY 1999 Actual Fee Income</b>	<b>FY 1999 Variance From Plan</b>
205	Surcharge on Late Payment of Appln Fee	\$65.00	1,338,935	1,190,155	(148,780)
227	Surcharge for Filing Provisional Fee Late	\$25.00	58,325	66,200	7,875
246	Filing a Submission after Final Rejection	\$380.00	155,420	121,815	(33,605)
249	For Each Additional Invention to be Examined	\$380.00	1,140	1,475	335
254	Surcharge for Filing National Fee Late	\$65.00	88,725	130,845	42,120
286	Maint Surcharge IN Grace Period	\$65.00	366,925	454,285	87,360
<b>Subtotal, Non-Statutory Patent Processing Fees</b>		. . .	\$46,693,044	\$44,448,039	(2,245,005)
<b>Non-Statutory Patent Service Fees:</b>					
561	B/W Copy of Patent or Design	\$3.00	4,548,705	3,443,317	(\$1,105,388)
562	Patent Copy - Expedited Service	\$6.00	230,580	95,922	(134,658)
563	Patent Copy - Expedited Service via EOS	\$25.00	57,300	32,550	(24,750)
564	Color Copy of Plant Patent	\$15.00	26,550	17,976	(8,574)
565	Copy of Utility Patent With Color Drawings	\$25.00	1,225	25	(1,200)
566	Copy of Patent Appln as Filed	\$15.00	1,589,505	1,601,055	11,550
567	Cert Copy of Patent Appln - Expedited	\$30.00	793,950	1,071,180	277,230
568	Copy of Patent File & Contents	\$150.00	514,050	363,750	(150,300)
569	Copy of Office Records per Document	\$25.00	399,275	255,025	(144,250)
570	Patent Abstract of Title & Certificate	\$25.00	828,775	368,050	(460,725)
571	Annual Library Subscription	\$50.00	4,500	4,150	(350)
572	List of US Patents in Subclass	\$3.00	0	0	0
573	Status of Maintenance Fee Payment	\$10.00	6,710	5,040	(1,670)
574	Copy of Non-U.S. Document	\$25.00	125,050	25,225	(99,825)
575	Compare Copies with Original & Certify	\$25.00	71,150	46,200	(24,950)
576	Duplicate of Correct Filing Receipt	\$25.00	64,775	56,425	(8,350)
577	Filing a Disclosure Document	\$10.00	188,030	178,050	(9,980)
578	Annual Delivery Box Rental	\$50.00	16,800	8,750	(8,050)
579	International-Type Search Report	\$40.00	0	1,240	1,240
580	Self Service Copy Charge, per Page	\$0.25	4,741,970	4,716,441	(25,529)
581	Recording Each Patent Assignment	\$40.00	12,893,080	11,860,650	(1,032,430)
582	Recording Each Additional Patent Property	\$0.00	0	165	165
583	Publication in Official Gazette	\$25.00	1,575	1,950	375
584	Labor Charge for Services per Hour	\$40.00	129,920	128,870	(1,050)
585	Unspecified Other Services	\$0.00	85,538	70,646	(14,892)

Table 2

**U.S. DEPARTMENT OF COMMERCE**  
**Patent and Trademark Office**  
**Fee Income Report**  
**FY 1999**

<b>Fee Code</b>	<b>Fee Title</b>	<b>FY 1999 Fee Rates</b>	<b>FY 1999 Planned Fee Income</b>	<b>FY 1999 Actual Fee Income</b>	<b>FY 1999 Variance From Plan</b>
586	Process and Retain Abandoned Application	\$130.00	24,570	47,450	22,880
587	Handling Fee for Appln Filed W/O Drawing	\$130.00	17,290	24,570	7,280
588	Terminal Charge - Automated Patent Search	\$40.00	243,680	190,345	(53,335)
589	Handling Fee for Withdrawal of Stat Inv	\$130.00	0	0	0
590	Coupons - Patent or Design, Each	\$3.00	380,784	224,922	(155,862)
591	APS - Text Terminal Session Time -PTDL's	\$15.00	21,660	6,875	(14,786)
592	APS - CSIR Terminal Session Time	\$50.00	859,850	769,133	(90,717)
TBD	TCP Copies	\$0.00	0	0	0
TBD	Published Application File Wrapper	\$0.00	0	0	0
607	Establish or Reinstate Deposit Account	\$10.00	4,030	3,590	(440)
608	Service Charge on End Bal - \$1000 Min	\$25.00	102,425	93,775	(8,650)
609	Attorney Fee - Admission to Examination	\$40.00	171,800	165,370	(6,430)
610	Attorney Fee - Registration to Practice	\$100.00	203,100	187,900	(15,200)
611	Attorney Fee - Reinstatement to Practice	\$40.00	480	280	(200)
612	Attorney Fee - Cert of Good Standing	\$10.00	1,130	1,310	180
613	Attorney Fee - Cert of Standing, Framing	\$20.00	200	320	120
615	Pet for Review of Decision by E.O.D.	\$130.00	2,730	5,720	2,990
616	Regrading an Examination - A.M.	\$230.00	15,870	30,130	14,260
617	Processing Returned Checks	\$50.00	19,850	19,750	(100)
618	Computer Records, at Cost	\$0.00	1,300,000	996,013	(303,987)
619	Registration Examination Fee	\$310.00	1,048,420	1,210,340	161,920
620	Regrading an Examination - P.M.	\$230.00	23,920	7,820	(16,100)
...	Miscellaneous Patent Fees		262,693	1,850,304	1,587,611
<b>Subtotal, Non-Statutory Patent Service Fees</b>		...	\$32,023,495	\$30,188,568	(\$1,834,927)
<b>Total Non-Statutory Patent Fees</b>			\$78,716,539	\$74,636,607	(\$4,079,932)
<b>Total Patent Fees</b>			\$765,816,813	\$781,168,915	\$15,352,102

Table 2

**U.S. DEPARTMENT OF COMMERCE**  
**Patent and Trademark Office**  
**Fee Income Report**  
**FY 1999**

<b>Fee Code</b>	<b>Fee Title</b>	<b>FY 1999 Fee Rates</b>	<b>FY 1999 Planned Fee Income</b>	<b>FY 1999 Actual Fee Income</b>	<b>FY 1999 Variance From Plan</b>
<b>Trademark Processing Fees:</b>					
361	Application for Registration	\$245.00	63,381,745	75,976,125	\$12,594,380
362	Amendment to Allege Use	\$100.00	776,900	808,555	31,655
363	Statement of Use	\$100.00	4,146,200	3,656,900	(489,300)
364	Extensions of Time (Intent to Use)	\$100.00	8,227,900	7,987,685	(240,215)
365	Application for Renewal	\$300.00	1,984,200	2,501,355	517,155
366	Surcharge for Late Renewal	\$100.00	79,700	91,200	11,500
367	Publication of Mark Under Sec 12c	\$100.00	2,400	3,400	1,000
368	Issuing New Certificate of Registration	\$100.00	35,400	30,400	(5,000)
369	Cert of Correction of Applicant Error	\$100.00	61,700	52,400	(9,300)
370	Filing Disclaimer to Registration	\$100.00	600	100	(500)
371	Filing Amendment to Registration	\$100.00	65,300	60,900	(4,400)
372	Filing Affidavit Under Section 8	\$100.00	469,400	518,900	49,500
373	Filing Affidavit Under Section 15	\$100.00	106,000	115,300	9,300
374	Filing Affidavit Under Section 8 & 15	\$200.00	7,335,200	6,633,300	(701,900)
375	Petitions to the Commissioner	\$100.00	183,900	183,200	(700)
376	Petition to Cancel	\$200.00	341,600	340,800	(800)
377	Notice of Opposition	\$200.00	1,201,200	1,018,100	(183,100)
378	Ex Parte Appeal to the TTAB	\$100.00	233,700	249,600	15,900
379	Divisional of Applications	\$100.00	124,800	120,200	(4,600)
<b>Subtotal, Trademark Processing Fees</b>		. . .	\$88,757,845	\$100,348,420	\$11,590,575

Table 2

**U.S. DEPARTMENT OF COMMERCE**  
**Patent and Trademark Office**  
**Fee Income Report**  
**FY 1999**

<b>Fee Code</b>	<b>Fee Title</b>	<b>FY 1999 Fee Rates</b>	<b>FY 1999 Planned Fee Income</b>	<b>FY 1999 Actual Fee Income</b>	<b>FY 1999 Variance From Plan</b>
<b>Trademark Service Fees:</b>					
461	Printed Copy of Each Registered Mark	\$3.00	4,305	5,544	\$1,239
462	Trademark Copy - Expedited Service	\$6.00	1,656	1,818	162
463	TM Copy - Expedited Service via EOS	\$25.00	1,025	875	(150)
464	TM Copy with Title or Status - Reg Serv	\$15.00	213,720	124,125	(89,595)
465	TM Copy with Title or Status - Expedited	\$30.00	483,030	265,680	(217,350)
466	Cert Copy of TM Appln as Filed - Regular	\$15.00	123,105	245,040	121,935
467	Cert Copy of TM Appln as Filed - Exped	\$30.00	571,950	381,240	(190,710)
468	Cert Copy of TM File and Contents	\$50.00	38,800	30,400	(8,400)
469	Certified Copy of Trademark Document	\$25.00	14,000	6,175	(7,825)
470	Abstracts of Title, per Registration	\$25.00	32,700	24,525	(8,175)
475	Compare Copies with Original & Certify	\$25.00	15,275	11,675	(3,600)
480	Self Service Copy Charge, per Page	\$0.25	640,619	553,426	(87,193)
481	Recording TM Assignment Documents	\$40.00	947,520	965,280	17,760
482	Recording Each Additional Mark	\$25.00	2,954,825	2,878,800	(76,025)
484	Labor Charge for Services per Hour	\$40.00	42,240	45,000	2,760
485	Unspecified Other Trademark Services	\$0.00	44,009	37,735	(6,274)
488	Terminal Charge for Automated TM Search	\$40.00	91,000	51,491	(39,509)
490	Coupons - Trademarks, Each	\$3.00	5,223	150	(5,073)
650	Recordal Application Fee	\$20.00	340	2,060	1,720
651	Renewal Application Fee	\$20.00	0	0	0
652	Late Fee for Renewal Application	\$20.00	0	0	0
<b>Subtotal, Trademark Service Fees</b>		...	\$6,225,342	\$5,631,038	(\$594,304)
<b>Total Trademark Fees</b>			\$94,983,187	\$105,979,458	\$10,996,271

Table 2

**U.S. DEPARTMENT OF COMMERCE  
Patent and Trademark Office  
Fee Income Report - Summary  
FY 1999**

<b>Fee Summary</b>	<b>FY 1999 Planned Fee Income</b>	<b>FY 1999 Actual Fee Income</b>	<b>FY 1999 Variance From Plan</b>
Total Patent Fee Collections	\$765,816,813	\$781,168,914	\$15,352,101
Total Trademark Fee Collections	94,983,187	105,979,458	10,996,271
<b>Total Patent and Trademark Fees</b>	<b>\$860,800,000</b>	<b>\$887,148,372</b>	<b>\$26,348,372</b>

**Reconciliation of FY 1999 Fee Variance from Plan to  
Fees Not Available Pursuant to P.L. 106-113:**

FY 1999 Variance from Plan	\$26,348,372
Less: Change in Public Receivables	(233,374)
Less: Change in Fees Made Available Between FY 1999 Budget Request of \$115,774,000 and the FY 1999 Budget Enacted of \$116,000,000	(226,000)
<b>Fees Not Available Pursuant to P.L. 106-113:</b>	<b>\$25,888,998</b>

Table 3

**U.S. DEPARTMENT OF COMMERCE  
Patent and Trademark Office  
FY 1999 Resources and Obligations  
By Business Area  
(Dollars in Thousands)**

Business Area	Total Resources Available	Actual Obligations Incurred From:			Percent Of Total Obligations	FY 1999 Unobligated Balance
		Offsetting Patent Fees	Offsetting Trademark Fees	Total Actual Obligations		
<b>Business Area:</b>						
Patents	\$628,320	\$626,627	\$0	\$626,627	78.0%	\$1,693
Trademarks	102,391	0	101,257	101,257	12.6%	1,134
Information Dissemination	59,648	40,388	19,168	59,556	7.4%	92
Policy	16,251	13,993	2,138	16,131	2.0%	120
<b>Total Patent and Trademark Office</b>	\$806,610	\$681,008	\$122,563	\$803,571	100.0%	\$3,039
<b>Percent Financing from Patent vs Trademark Fees</b>		84.7%	15.3%	100.0%		